

JPRS-WER-88-005
3 FEBRUARY 1988



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

West Europe

West Europe

JPRS-WER-88-005

CONTENTS

3 FEBRUARY 1988

POLITICAL

FINLAND

Polls Indicate Increased Voter Confidence in Conservatives	1
Conservative Party Voters Satisfied [<i>UUSI SUOMI</i> , 3 Nov 87]	1
Majority Favors Continuing Coalition [<i>Pekka Vaisanen; HELSINGIN SANOMAT</i> , 12 Nov 87]	1
Paper on Gallup Results [<i>HELSINGIN SANOMAT</i> , 13 Nov 87]	4

GREECE

EYP Changes to Civilian Status [<i>PONDIKI</i> , 20 Nov 87]	5
--	---

NETHERLANDS

Study of Labor Party Membership, Image, Culture [<i>Hubert Smeets; NRC HANDELSBLAD</i> , 20 Nov 87]	5
Van Mierlo Views Position of Labor Party [<i>Van Mierlo Interview; DE VOLKSKRANT</i> , 2 Nov 87] ...	6

PORTUGAL

Comments on Inner Workings of Present-Day PS	7
'Open Letter' Movement [<i>Jose Antonio Saraiva; EXPRESSO</i> , 31 Oct 87]	7
PS Seen Weakened [<i>O DIABO</i> , 10 Nov 87]	8
Resignations, Changes Reported Within PCP [<i>O DIABO</i> , 1 Dec 87]	10
No Solution for PCP Seen in Cunhal Succession [<i>Jose Antonio Saraiva; EXPRESSO</i> , 21 Nov 87] ..	10
Poll Reflects Effect of Stock Market Decline on Political Preferences [<i>EXPRESSO</i> , 21 Nov 87]	11

SPAIN

Poll on Redondo-Gonzalez Clash: Surprising Results [<i>Felix Bayon, Antonio Perez Henares; TIEMPO</i> , 16-22 Nov 87]	15
---	----

MILITARY

GREECE

New Installations To Enhance EAV Production [<i>TA NEA</i> , 20 Nov 87]	19
--	----

NORWAY

Subsidy to Weapons Maker To Come From Defense Budget	19
Kongsberg Vapenfabrikk in Trouble [<i>Thorleif Andreassen; AFTENPOSTEN</i> , 30 Oct 87]	19
Budget's Real Growth Reduced [<i>Thorleif Andreassen; AFTENPOSTEN</i> , 31 Oct 87]	19

PORTUGAL

Poll Reveals Majority for Independent European Defense [<i>DIARIO DE NOTICIAS</i> , 3 Dec 87]	20
--	----

SPAIN

Soviets Purchase Photos of U.S. Bases [<i>CAMBIO</i> 16, 23 Nov 87]	20
--	----

SWEDEN

- New Regulations Make Police 'Combatants' in Event of War
[Anders Ohman; DAGENS NYHETER, 3 Nov 87] 20
- Armed Forces Commander Proposes Army Reorganization
[Anders Ohman; DAGENS NYHETER, 3 Nov 87] 21

ECONOMIC

EUROPEAN AFFAIRS

- Farm Incomes Down 17 Percent [FRANKFURTER ALLGEMEINE ZEITUNG, 23 Dec 87] 22

FEDERAL REPUBLIC OF GERMANY

- DER SPIEGEL on Economic Crisis, Repercussions for FRG 22
- Bonn Considers Course of Action [DER SPIEGEL, 16 Nov 87] 22
- Hamburg Bank Director Interviewed
[Wilhelm Noelling Interview; DER SPIEGEL, 16 Nov 87] 28
- Firms Hope INF Agreement Will Help Ease Cocom Restrictions [HANDELSBLATT, 27 Nov 87] .. 30

PORTUGAL

- Comments on Economic Agreement With USSR [DIARIO DE NOTICIAS, 28 Nov 87] 31
- Budget Figures Show Deficit Above Projections [Antonio Camoes; SEMANARIO, 21 Nov 87] 32

SPAIN

- Plans To Improve CASA Financial Situation [TIEMPO, 16 Nov 87] 34

SWEDEN

- U.S., EC Market Penetration Drives International Takeovers
[Hannes Gamillscheg; FRANKFURTER RUNDSCHAU, 25 Nov 87] 35

SOCIAL

SPAIN

- Poll Reveals Low Level of Popular Satisfaction [PANORAMA, 2 Nov 87] 38

FINLAND

Polls Indicate Increased Voter Confidence in Conservatives

Conservative Party Voters Satisfied

36170018 Helsinki UUSI SUOMI in Finnish
3 Nov 87 p 2

[Editorial: "Conservative Party Expected To Show Own Colors"]

[Text] According to an UUSI SUOMI opinion poll, the average citizen is predictably satisfied with the government, which is seen primarily as a Conservative Party cabinet, even though the relative strengths are thought to be fairly equal. Conservative Party supporters are still confident, but many of them expect their party to assert its will more forcefully.

The opinion poll, in which citizens give the government a school grade, may be considered political entertainment. This is underscored by the fact that the grade remains stable, a little above a 7, from year to year.

Yet the party differences hint interestingly at current moods, especially if the data are combined with other surveys conducted by Economy Research, Inc., for UUSI SUOMI in late October.

The government is perceived as a Conservative Party cabinet, though the relative strengths of the ruling parties are believed to be equal, maybe even tilted a bit toward the Social Democratic Party (SDP). The Conservative ministers are the new and engaging elements in the government. The Conservatives therefore loom larger than the Social Democrats in the government picture.

This becomes evident from how quickly the cabinet ministers are recognized. Harri Holkeri is a symbol of the government, but on the whole Conservative ministers are more easily recalled than Social Democratic ones. Even the ubiquitous Matti Puhakka is not very well known.

This means that the government's success or failure will be recorded in the Conservative column. The most important thing then is the viewpoint of Conservative Party voters. The approval of other parties' supporters is, of course, no drawback—maybe they offer opportunities for future conquest. But a political merchant should satisfy his old customers before he goes hunting for new ones.

According to the survey, Conservative Party voters are still pleased with the government—the survey was taken shortly before announcement of the tax reform but after the notorious claims of a presidential election agreement. Conservative Party backers awarded the government the best grade, half a point better than the average citizen.

The Conservative voters' trust is emphasized by their special satisfaction with Harri Holkeri. The prime minister received an average grade of 8+, and more than a third of Conservative voters gave him a grade of excellent.

On the other hand, the fact that one out of three Conservative voters believes the SDP, at least to some degree, has the upper hand in the government gives Conservative Party leaders food for thought. Only one fifth of the party's supporters believe the Conservatives run the government. An even smaller fraction of Center Party voters shares this view. Maybe Conservative voters have been influenced by Center Party propaganda.

Conservative voters are evidently still content with the government formed. At the same time, however, the Conservative Party is expected to assert its will more forcefully in policymaking and to run its flag up the pole, without causing a big squabble.

Supporters of other parties take a matter-of-fact view of the Conservative Party's government role, and an outright positive view of Harri Holkeri's performance as prime minister. But a clear wait-and-see attitude can be sensed among SDP backers. Maybe another indication of this is that, except for Erkki Liikanen, the SDP ministers have kept a low profile in public, at least as representatives of the entire government.

The people gave the government its semester report card before the big decisions were made. The real capacity of the Conservative-Socialist cabinet to perform will be measured in work life and tax reform.

Citizens know and accept that the two parties have different standpoints: it is useless to downplay them. On the contrary, the various arguments should be made openly side by side.

Citizens also know that in due time a compromise must be reached from the different standpoints. A synthesis emerges most clearly through a dialectic, a presentation of thesis and antithesis.

Majority Favors Continuing Coalition

36170018 Helsinki HELSINGIN SANOMAT in Finnish
12 Nov 87 p 9

[Article by Pekka Vaisanen: "SDP Is Most Desired Government Party: Conservative Party Now Wanted in Government More Than Center Party"]

[Text] The Social Democrats have preserved their spot as the most wished-for government party. The second most wished-for in the government is the SDP's new partner, the Conservative Party, which has knocked the Center Party into the number three position.

Half the Finns nevertheless hope that the Center Party joins the government if a new one is formed after next winter's presidential elections.

An opinion poll conducted in late October reveals that these are the hopes Finns have for their government.

At HELSINGIN SANOMAT's request, Finnish Gallup asked some citizens their views on several topical issues, including whether the current government should resign after the presidential elections, and if the government does resign, which parties should be in the new government.

In the survey 1,499 Finns were interviewed. The respondents make up a fine cross-section of eligible Finnish voters.

HELSINGIN SANOMAT/Gallup last asked citizens the same question about their wishes for a new government base in November of last year. At that time, they were not asked whether the government should resign after the presidential elections.

Government May Continue

Up until now, it has been the Finnish practice, if not the written rule, that the government resigns, or at least tenders its resignation, when the president's term ends. It was suggested last spring, however, that the current government might continue to function after the presidential elections.

HELSINGIN SANOMAT/Gallup shows that a clear majority, or 65 percent, of Finns would permit the government to continue after the presidential elections. One fourth, or 25 percent, think that the present government should tender its resignation. Ten percent are unable to form an opinion.

Those who call on the government to resign are more often than not Center Party supporters. Backers of SDP, Greens, and Conservative Party would rather let the Conservative/Socialist government continue to function.

When the question was asked about which parties should participate in a new government if one were formed after the presidential elections, it became clear that citizens look quite sympathetically at all the parties. In the case of each party, more people wanted it in the government than voted for it in the elections.

Center Party Plainly Less Desirable

The two most popular government parties are now the SDP and the Conservative Party. Topping the list last November were the SDP and the Center Party. The popularity of the Conservative Party has risen the most, while that of the Center Party has fallen the most. Many people would also like to see the Swedish People's Party (RKP) and the Finnish Rural Party (SMP) in the government. The RKP has shot ahead of the SMP on the list.

Party	Which Parties Should Be in the Government		
	HS/Gallup Nov 87 (%)	HS/Gallup Oct 87 (%)	Change (%)
Social Democratic Party	68	68	0
Conservative Party	53	62	+9
Center Party	68	53	-15
Swedish People's Party	30	37	+7
Finnish Rural Party	33	35	+2
Finnish People's Democratic League	23	23	0
Greens	12	18	+6
Finnish Christian Alliance	13	13	0
Democratic Alternative	3	7	+4
Liberal People's Party	13	6	-7
Finnish Retirees' Party	6	5	0
Constitutional Right Party	5	4	-1
Cannot say	13	17	+4

Question: If the government tenders its resignation and a new government is formed in our country after the presidential elections, which parties, in your opinion, should be included?

One possible interpretation of the poll outcome is that the people have accepted the new Conservative/Socialist government or at least gotten used to it. Nearly two out

of three persons want to keep the Conservative/Socialist government after the presidential elections.

The three major parties—the SDP, the Conservative Party, and the Center Party—distinguish themselves as the most desired government parties. That does not mean, however, that citizens want precisely those three parties in the same government.

More people want the Greens in government than they did in the autumn of last year. The Finnish People's Democratic League (SKDL), the Finnish Christian League (SKL), the Finnish Retirees' Party, and the Constitutional Right Party are neither more nor less popular. The Liberal People's Party has dropped in popularity, and more people now want the Democratic Alternative (DEVA) in the government than the Liberals. In years past, the Liberal People's Party was nearly a permanent partner in the country's government.

Almost one fifth of those polled were unable to say which parties they wanted in a new government.

Conservative Party Has Greatest Desire To Be in Government

Desire to be in the government varies somewhat among supporters of the different parties. Conservative voters want their party in the government most. Ninety-three percent of them think that the Conservative Party should also be in the next government. For example, "only" 75 percent of SKDL backers want their party in the government.

As a rule, however, people clearly want their own party in the government more than other parties.

Sixty-three percent of Social Democratic supporters believe the Conservative Party has become the SDP's most desirable government partner, and 49 percent believe the Center Party is the next most desirable. After their own party, 69 percent to Conservative backers want the SDP in the government and 56 percent want the Center Party. Love between the SDP and the Conservative Party is thus mutual.

Center Party supporters want the Conservative Party in the government as much as they want the Social Democrats. Slightly more SKDL supporters want the SDP in the government than their own party. The figures are 77 and 75 percent in the SDP's favor.

Change in Support May Be Illusory: In Estimates of Party Support, Tenth of Percentage Point Gets Easily Lost in Reliability Fork

Statisticians and political researchers are sometimes annoyed by the way in which estimates of party support are interpreted. In their opinion, changes in support are seen too easily or with insufficient grounds.

If party A's support was 25.3 percent in the last elections and its support is now 25.8 percent according to an opinion poll, probably no real change has occurred. Researchers argue that you should not start drawing conclusions from a change of a few tenths of a percentage point.

The criticism is based on the limited reliability of opinion poll results. An opinion poll is generally required to be 95 percent accurate.

Two Different Ways To Measure

Ninety-five percent accuracy can be converted, with the help of a computational model, into a reliability interval or "fork" within which the party's actual support lies. The width of the fork depends on the size of each party's support.

We can assume, for example, that the 15-percent support estimate received by party A holds good within a fork of 2 percent. Party A's actual support may therefore fluctuate between 14 and 16 percent.

Some statisticians and political researchers have used this method of computing reliability intervals based solely on support figures. But Pentti Manninen, assistant professor of statistics at Tampere University, does not consider it the right method for estimating the reliability of party support.

According to Manninen, the method does not suit opinion polls in which the interviewees are also asked how they voted previously.

"On the other hand, in opinion polls for the upcoming presidential elections, a simple method of measurement must be used, because how the interviewees voted earlier cannot be explained."

RKP Data Most Reliable

As early as the 1970s, in his doctoral thesis, Manninen developed his own method for measuring the reliability of party support estimates. Based on the voters' faithfulness to their parties from election to election, the method enables him to calculate the reliability interval for each party's support.

On the basis of his studies, Manninen estimates the parties' reliability intervals. Most reliable are the RKP's results, in which the fork's width is eight tenths of a percentage point. Manninen figures the fork of the Greens is roughly 3 percentage points, and that of the SDP, SKDL, Center Party, Conservative Party, SMP, SKL, and DEVA 1.6 percentage points.

Measured by the Manninen method, the HELSINGIN SANOMAT/Gallup's recent party support estimates, compared with the results of the last presidential elections, seem to be as follows:

The SDP's support has perhaps risen somewhat; the RKP's has perhaps fallen somewhat. Support for the Conservative Party has not changed. Support for the Center Party appears to have risen a little, while support for the SKDL and SMP has dropped a bit. No significant change seems to have occurred in the Greens' support.

With the so-called simple measurement of reliability intervals rejected by Manninen, there were no actual changes in the data for even one party. The fork for a major party (SDP, Conservative Party) is about 4 percent, so that only changes of more than 2 percentage points can be interpreted as genuine. Manninen's "sieve" thus proved to be substantially tighter.

There are many factors which make it difficult to interpret the results of opinion polls. A party support estimate made on the basis of an opinion poll is never an election result. At best, it is only a reliable estimate of the party's support at that moment.

In general, 1,000 to 1,500 citizens of voting age are interviewed in an opinion poll. This is not the same group as Finland's voting-age population. To minimize randomness, the pollster divides the population according to age, sex, profession, and place of residence. Interviewees are selected from these groups.

This sort of miniature Finland is a very representative sample of eligible voters. Problems start to arise, however, when the group is interviewed.

Party	Party Support as Percentage		Manninen's Change	Interpre- tation
	Parliam. Election March 87	HS/Gallup Oct 87		
Social Democratic Party	24.1	24.9	+0.8	maybe risen
Finnish People's Democratic League	9.4	8.5	-0.9	fallen
Democratic Alternative	4.2	4.4	+0.2	same
Conservative Party	23.1	23.4	+0.3	same
Center Party	17.6	18.9	+1.3	risen
Swedish People's Party	5.3	4.9	-0.4	maybe fallen
Finnish Rural Party	6.3	5.3	-1.0	fallen
Finnish Christian League	2.6	2.7	+0.1	same
Liberal People's Party	1.0	0.8	-0.2	same
Constitutional Right Party	0.1	0.1	0.0	same
Greens	4.0	4.9	+0.9	same
Finnish Retirees' Party	1.2	1.0	-0.2	same
Others	0.9	0.2	-0.7	—

Usually, one attempt is made to reach an interviewee, after which he or she is replaced by another similar interviewee. For example, SDP and Center Party supporters, who tend to be stay-at-homes, are hit for interviews more often than Conservative Party supporters, who tend to be on the go.

SKDL, DEVA, and SMP supporters in particular have been found to conceal how they really intend to vote.

To prevent such distortions, the pollster revises his support figures with various correction coefficients.

Failure To Vote Is Problem

Interviewees are also often asked how they voted in the last elections. By combining these data with the latest official electoral statistics and with how the interviewees currently intend to vote, it is possible to increase the reliability of party support estimates.

The party support estimate based on an opinion poll therefore differs from an ordinary yes/no/don't know poll in which the distribution of answers is seen immediately.

A portion of those who tell the pollster what their voting pattern is fail to vote in the elections. This is a problem when you want to compare party support estimates with results of the previous election. Gauging the opinion of young, first-time voters is likewise a problem, especially if a long time has elapsed since the previous election.

Comparison is also made difficult by different-sized samples, different points of time, and questions that maybe are similar in content but are worded differently.

Paper on Gallup Results

36170018 Helsinki HELSINGIN SANOMAT
in Finnish 13 Nov 87 p 2

[Editorial: "Conservative-Socialist Government Enjoys Popularity"]

[Text] According to a recent HELSINGIN SANOMAT-Gallup survey, the Finnish people have adjusted smoothly to the change in government following the presidential elections. The Conservative-Socialist government is now accepted as just as natural a first choice

as a Socialist-Agrarian government was before the elections. An overwhelming majority of SDP voters wants the party to be in the government and considers the Conservative Party a more desirable partner than the Center Party. Correspondingly, Conservative Party supporters also favor the SDP over the Center Party.

The changes of sympathy are hardly very deep. They reflect the fact that the ideological barriers of Finnish politics have become lower and lower. The voters are ready to broadmindedly approve any suitable choice of collaborative partners. The Conservative-Socialist government is still so young that it is hard to evaluate it on the basis of concrete deeds. Possible dissatisfaction will not emerge until later.

Support for the government parties seems to have remained stable. The only noteworthy change in support figures is the progress made by the opposition Center Party. That may be viewed as expected in a way, though explanations could also certainly be found for the opposite trend.

How, for example, should we interpret the fact that the same survey indicates Paavo Vayrynen has lost ground in the presidential race despite vigorous campaigning? Is Vayrynen more of a burden than a drawing card for the Center Party in the presidential elections? Is the problem permanent, or could he turn out to be the joker card in other circumstances?

Six-percent straight support is a poor springboard, even if the target is 6 years away. At this stage, the number two position seems to have slipped away irretrievably. That is something for both Vayrynen and the entire party to think about.

12327/06662

GREECE

EYP Changes to Civilian Status

35210038 Athens PONDIKI in Greek 20 Nov 87 p 4

[Text] The civilian status of the National Intelligence Service (formerly the KYP [Central Intelligence Service]) was brought about "secretly." However, it did take place a few months ago, and civilian officials are now in positions of the utmost importance. No blood has been shed, and it was not destroyed, as some who opposed the change for years used to claim.

/06662

NETHERLANDS

Study of Labor Party Membership, Image, Culture

36140007b Rotterdam NRC HANDELSBLAD in Dutch
20 Nov 87 p 3

[Article by Editor Hubert Smeets: "The PvdA Is a Political Party of Academic Bureaucrats"]

[Text] Amsterdam, 20 November: The power of appeal that the PvdA used to have for young people who were not immediately after a little political job, has consistently declined over the past 10 years. The PvdA has become a party of functionaries, viable only because of its enormous bureaucratic machinery. That internal party culture has the effect of repelling people. The new members who do come forward adjust quickly to the ambience or else soon give up the ghost and settle for simply paying their dues on time.

The "renewal commission," under the chairmanship of Bert Middel, which had the job of analyzing the internal party organization, described that stifling atmosphere 3 weeks ago in its report: "Politics a la carte rather than politics as plat du jour." That description did not go easy on them. "People who want to be someone in the party in their free time, from motives other than that of pure ambition or to push their own careers, want to combine work with a little socializing. In this respect, our image of the somewhat dreary, pushy, self-justifying club of super-serious political figures really plays a very nasty trick on us," it wrote in its report.

It did not base its conclusions on mere feelings about which way the wind was blowing, but rather on a study undertaken by Bode, Bosmans and Associates (BBK), a research bureau that has worked for the PvdA for 15 years already. From the polls the BBK took of congress-goers come signs of what many people already suspected: As far as its membership is concerned, the PvdA has become a static party. Eight years ago, the average age of staff members was 37. Now the members who attended the last (internal) congress averaged 47 years of age and had, moreover, been members for 12 years already. After the drive and energy of the Den Uyl cabinet, the fire in the eyes of party recruiters has obviously lost its glow.

The education level of these middle-aged members is high. One-third have enjoyed an HBO education, but no less than 35 percent have university formation behind them. Less highly educated staff members are older than 35, in general. These highly educated socialists control the party at all levels. One of the queries on the BBK questionnaire asked whether those polled might favor a somewhat more individualized decisionmaking process at congresses or regional gatherings, so that the departments were not constantly occupied with giving mandates to their delegates, but would have members who

would be able to decide more on their own. The university-educated members between 35 and 44 years of age were least favorable, and the oldest and youngest members most favorable.

Not a Very Bright Picture

The "super-active" academics among them are therefore also the most positive about the internal party culture. But among more recently attracted members, the picture, according to the BBK study, is "not very bright," as a result of which nearly half of all staff members polled believe that the party is "inflexible," while still more PvdA followers admit that the "thresholds" are too high; and 40 percent even have the word "bureaucratic" on their tongues.

"The party office exists for the benefit of party members, but the kindest thing that can be said just now is that the very opposite seems true," concluded the Middel Commission, basing itself on these figures. In its report it also stated that the more than 150 people who work full time in the party machine spent 84 percent of their time on "internal party work." That is in part "political" in nature; nevertheless, 31 percent remain totally involved in the "administrative maintenance of the bureaucratic machinery." That proportion between internal and external use of time should be exactly the opposite, claims the Middel Commission.

The executive board was somewhat nettled when confronted with the report in mid-October. At first its members wanted the commission to do its homework again. "The 'machine-niks' were not happy about that. We had expected nothing more than a report that would go down badly with a number of people in the bureaucracy," says Middel. The entire party administration believed that to be unnecessary, however. "A number of party leaders felt quite badly treated, though others did not." Yet the executive leaders of the party did not have positive feelings about the commission report. Middel himself felt "a bit tricked by it in retrospect."

Elite Party

Tomorrow that will all be brought up at the request of the party administrators.

But whether or not they will work on the necessary retouching of the "not too bright" picture of the party itself remains to be seen. For actually the conclusions of BBK and the Middel Commission are not new. In 1982, former party secretary Gerard Heyne den Bak had written in his book, "Democratie in problemen" [Democracy in Trouble], concerning the "repulsive party culture": "In ever-increasing measure, the PvdA is taking on the characteristics of an elite party." At the time the book contained an explanation for this, too. According to the author, the reason was the "pretentious and not well thought out character of the participation ideology to which the PvdA subscribed," and the extent of the

organization that had led "to a certain degree of bureaucratization of democracy." His conclusion 5 years ago: "Politics and conflict are inseparable companions. But that does not absolve us from the duty of making the political house livable for as many people as possible, and even pleasantly livable if we can do it."

08117/09599

Van Mierlo Views Position of Labor Party

36140007a Amsterdam DE VOLKSKRANT in Dutch
2 Nov 87 p 3

[Interview of D-66 Leader Van Mierlo by Arendo Joustra; given at De Flint in Amersfoort, date not specified]

[Text] Amersfoort: From all sides the social democrats are getting well-meaning advice as to how they might emerge from their crisis. D-66 party group leader Van Mierlo believes, however, that the social democrats no longer stand a chance. The individualization of society is causing the bankruptcy of the PvdA. "Not only do needs become individualized, but the protests as well," said Van Mierlo Saturday at his party's congress in Amersfoort.

"Capitalism is able to behave more and more capitalistically because its counterpart, the labor factor, is no longer united," said Van Mierlo in an explanation of the talk he gave after the D-66 congress in De Flint in Amersfoort. "You see it in the new machos of our culture, the billionaires who bring together the capital and take over the world."

The party group leader readily acknowledges that all parties have to contend with the phenomenon of individualization, but the problem is the greatest for the PvdA. "Of all the parties, the social democrats have the most to suffer from the individualization of the protest. The unification of the protest was so simple earlier, but the labor factor fragmentizes, whereas capital tends to concentrate itself."

"Actually the social democrats have been facing those problems for 15 years already. In the first place because most Western European countries already have a kind of social democracy, and in the second because they have always had to 'rely on' unifying the protest. It is an emancipation movement, and they are always protest movements. But today, through individualization, that protest has crumbled."

Van Mierlo does not see the fact that the workers are still organizing themselves into trade unions and taking action as an undermining of his position. "Listen, even in the Netherlands you see that during the past 10 years, the equilibrium between employers and employees has shifted in favor of the employers."

[Question] No wonder, the union movement has been weakened by the extent of unemployment.

[Answer] No, on the contrary, that should give them strength, because of the unification of the protest.

[Question] Actually not, since the unemployed do not protest in groups.

[Answer] Therefore I am right, too. The protest has become individualized. Do you ever remember seeing a big demonstration staged by Dutch welfare mothers? No, each one experiences her own personal situation in a different way. One welfare mother is not the same as the other. One will have an individual rent subsidy, the other will not. People also feel that their own situations can no longer simply be thrown into the hopper along with other people's. The sentiment of "We Workers All in This Together" no longer exists.

[Question] The CDA repudiates the continuing individualization of society, and the PvdA is also backing away from it.

[Answer] You cannot repudiate a thunderstorm.

[Question] But through legislation the CDA and the PvdA can try to stop the process of continuing individualization, by making it financially less attractive, for example.

[Answer] They can slow it down. Essential social processes can only be decelerated; they must still go on. People do live as they wish to live. Neither can you force those processes to conform to your wishes; politics can at best stimulate them. The emancipation of women is becoming a fact, irrespective of politics.

Individualization may be a tendency, but the rights that belong to it are still far from being regulated. Payments depend on the income of the partner. Fiscal legislation is not individualized, either. In the process of granting subsidies, the government likes to take a look at the financial strength of various social relationships. Might the enforcement of those individual rights rather lead to a unification of the protest than to a crumbling?

[Answer] But therefore you need another political organization. For how do you find a political party that can appeal to all those different categories? For one case manifests one problem and another another. Why should all these different groups vote for one and the same party?

There is, I believe, only one answer. If society individualizes, you must reshape the current political structure. Ultimately politics must also do much more along the lines of individualization. Then we shall arrive at a system that gives politicians personal contacts with voters, the constituency voting system and an elected prime minister.

[Question] When you decide how to vote, you need not always follow your own individual interest, you can vote for a party out of feelings of solidarity with other groups, right?

[Answer] Certainly. But in a society that individualizes, it becomes more and more difficult to appeal to people's sense of public spirit. That is why what the cabinet is doing is so dangerous. It talks about a caring society without being a caring government itself. Yet more than ever before, that government is the only symbol we have of the fact that we are living in a society.

08117/09599

PORTUGAL

Comments on Inner Workings of Present-Day PS

'Open Letter' Movement

35420017 Lisbon EXPRESSO in Portuguese
31 Oct 87 p 3

[Commentary by Jose Antonio Saraiva: "A Puzzle Known as the PS"]

[Text] No one took it very seriously when a new movement—known as Open Letter and "starring" Maldonado Gonalha, Joao Soares, and Jorge Campinas—was formed within the Socialist Party [PS].

What could those three men—whom the country knows only slightly or not at all—do against a majority that includes such people as Vitor Constancio, Jaime Gama, Antonio Guterres, Jorge Sampaio, and Torres Couto?

Apparently nothing.

But they have already done something: they have forced the secretary general to postpone the party congress from January to February.

It will be said that this is of no importance.

After all, what difference does it make whether the PS Congress is held in January or February?

From the political standpoint, none at all.

But from the standpoint of what people think and feel, it does make some difference—because it conveys the idea that the party leadership is not strong enough to do what it wants.

Judging from what they have already intimated, Gonalha and his companions are going to use guerrilla tactics from now on: they are going to play cat and mouse.

And that type of fighting has two kinds of consequences.

For one thing, it causes erosion and consumes energies that are probably needed for the work of opposing the government.

For another, it presents the country with the image of a PS that is divided and involved in internal disputes—an image that will wind up making the already uneasy Socialist voters even more restless.

Obviously, that situation could be overcome if the majority constituted a cohesive, solid, and granitelike bloc.

But it does not.

Despite his vocation as "second fiddle," the current number two man in the party, Jaime Gama, has his own personal agenda.

And so, at least, do Antonio Guterres and Torres Couto.

What this means is that while it is true that neither Gama, Guterres, nor Torres Couto is currently challenging Vitor Constancio, it is also true that probably none of them is willing to commit himself to Constancio unconditionally for better or, especially, for worse; all of them are awaiting their chance.

And that fact—that is, the existence of a majority composed of men who are constantly sizing each other up, observing each other, and spying out each other's weaknesses—naturally makes things easier for a minority which has already proven itself to be fearless and combative.

But there is more.

One of those in the PS who will certainly become more prominent in 1988 is Antonio de Almeida Santos—because of his technical competence in the field of revising the Constitution. And as is known, Almeida Santos does not have the same relationship with Vitor Constancio that he had with Mario Soares.

We should also add the names of Antonio Barreto (a lone wolf who is viewed with some distrust by the Socialist rank and file but who carries weight in public opinion), Manuel Alegre, and Sottomayor Cardia—and that leads us to the conclusion that the leader of the PS is not in as comfortable a position and does not have as calm a future as appearances suggest.

Following Cavaco's resounding victory on 19 July, the Socialist Party today should be presenting itself as united, operational, outward looking, and the clear leader of opposition to the government.

But the public image being conveyed by the PS is that of a party turned inward, entangled in its own problems, and unable to free itself of its internal quarrels—and of a party which is handing the government all the trump cards it needs for doing what it wants, how it wants, and when it wants.

PS Seen Weakened

35420017 Lisbon O DIABO in Portuguese
10 Nov 87 pp 12-13

[Text] Vitor Constancio seems to have won another war within his divided party. The PS National Committee has decided to reaffirm confidence in its leader, and that support is all the more significant in that it definitely was given after the extraordinary "vote switch" at the prime minister's residence. But the fact that Constancio has won this round does not erase the fact that he is at the head of a party so irremediably divided that we do not even know whether it will agree internally on the subject of revising the Constitution.

Dramatizing and Tranquilizing

The institutional leader of the Socialists had already lost points in the battle over when to schedule the congress. He lost even more when his list obtained fewer votes than Cunhal's in the parliamentary voting for the Council of State. At that time, Constancio told anyone who would listen that it was urgent to discover and punish the 11 who had been misled into switching their votes. One of Constancio's supporters, Antonio Guterres, even talked about the possibility of a split. But last Sunday, with the 55 National Committee votes in his support in his hand, Constancio chose to "dedramatize" the matter, saying that the media had "blown the party's internal situation out of proportion."

That seems to be a strategy of Constancio's which is not completely inept but which might remind one of the pirouettes in logic engaged in by the generally upright Ramalho Eanes, who would "dramatize" an incident and demand heads one day and then say the next day that the "dramatization" was exaggerated and that everything was normal. Of course, he only said that if things went the way he wanted after the "dramatization."

Many Disagreements

And Constancio needs some luck. The list of dissidents, which until now consisted only—at least in an open and active form—of the Goncalves-Soares (Junior) group, has now grown longer with the addition of Manuel Alegre, who may be acting alone (as some people say), but who, for someone who is acting alone, has quite a bit of support (at least in Parliament, where 11 votes constitute about one-fourth of the Socialist bloc).

Constancio also needs some luck because the weapons that can be used successfully against Joao Soares cannot be used with equal success against Alegre. While the former can be accused of trying to pull the PS into almost a rightwing "social democracy" supporting the PSD [Social Democratic Party], the latter is unassailable on that point. On the contrary, by advocating "rank-and-file unity" between the PS and the PCP in local elections, Alegre may even entice many cadres in the PS apparatus who are closer to that kind of thinking than they are to an agreement with Cavaco.

There will also come a time when Constancio will have to choose: either he will go it alone in the municipalities and parishes and run the risk of repeating the disaster of 19 July (since by 1989, the PSD will be solidly established even in usually Socialist areas unless it runs into bad luck as the national government), or he will seek alliances on the right, which might produce arguments against him at the national level, or he will ally himself with the PCP, thus proving Alegre right and alienating—perhaps permanently—his "moderate" voters, who may then strengthen sociological "Cavacoism."

The split in the parliamentary group also shows that some of the PS deputies may not agree with the conciliatory tone of the Socialist draft document, which differs little from the PSD document when it comes to what the Left considers sacred (the direction to be taken by the economic system). Will there be another rebellion against the proposed constitutional changes, this one uniting the leftwing of the PS and the PCP? And in reaction, might there be a different agreement between the "Socialist rightwing" and the PSD?

The impression of discord will continue until the congress in February. At that time, the revision will already be under discussion, and there is nothing to guarantee that the losing group will not opt for a split in Parliament itself and set itself up as an independent group. We may be witnessing a repetition in the PS of the process which led to the formation first of the FSP [Popular Socialist Front], then of the MES [Movement of the Socialist Left], and, more recently, to the bitter exile of the Arnaut and Zenha group.

Weak Party

The fact is that the PS is currently too weak to stand up to anyone wanting to destabilize its organization (and that may be what the PS wants, involved as it currently is in activity that again promotes semi-illegal behavior, infiltrations, "penetrations"—an example being the CGTP [General Federation of Portuguese Workers] in connection with the "Consultation"—and "front movements"—such as the establishment of protest movements against NATO, the F-16's, Cadilhe's insolence, or Fernando Nogueira's management). It is also unprepared to return anywhere close to the center of power, since it gives the impression of having a helmsman incapable of asserting himself. "And even if Constancio

wins, what is he going to do with a party that is so weak?" was the somewhat peevish remark by one member of Mario Soares' "historical" National Council. That is the big unanswered question.

Left's Plans

Also to be reckoned with among the afflictions of the PS is their effect on the historical core of the Left. Everyone knows how even that sector's more sophisticated media (the DIARIO DE LISBOA, for example) praised Alegre's dissidence to the skies. Basically, everyone on the mainland, from the extreme Left to the PRD [Democratic Renewal Party] and including Pintassilgo's supporters, realizes that either the Left will survive as a group or its components will be buried separately. The Left therefore needs to find areas of agreement before the local elections are held. To summarize, it must:

a) Take collective advantage—if possible, with Mario Soares' support—of any misfortune that overtakes the government. We have seen how the entire Left tried to take advantage of the Guinea-Bissau issue and the controversy surrounding Alqueva to hint at disagreements between the president of the republic and Cavaco.

b) Revive the popularity of certain leftist ideas in civilian society, a task that will be difficult without a recession and general pessimism.

c) Turn the PS into a party that is the tip of a larger iceberg and prevent the Socialist leadership from renouncing the idea of the basic unity of the entire Left by invoking the spirit of April [1974].

d) Prevent the ostracizing of its symbols and members everywhere from the PCP to the military on the CR [Council of the Revolution].

e) Turn the revision of the Constitution into the big battle for "restraining the Right."

f) Prepare for the future through the presidential election (by forcing Cavaco to choose a "rightwing" candidate to oppose Soares) and the local elections (by trying to reverse the electoral tide of July at the grassroots level).

Those are some of the plans of the visible Left. We must not minimize here the role of the PCP and the "independent intellectuals" in its service. They may focus on and guide a kind of ideological and politicocultural talk that the PS is unprepared to restrain. But the key man in this new push will be Mario Soares.

Soares

If the current president refuses to fight with Cavaco even when the government makes mistakes or is devastated by misfortunes, it will be difficult for the country's Left to return to levels of respectability. If Mario Soares—if only to show Cavaco that he is an important man on any

chessboard—begins to put much distance between himself and the government, the historical Left will find new courage and a new symbol around which to rally. This was seen to some extent in Alentejo.

And the only reason it was not seen on a larger scale was that Cunhal's party is not certain about the current president's plans. The fact is that while Mario Soares may be the PCP's last resource, he is also its greatest and real enemy. Deadly paradoxes.

11798

Resignations, Changes Reported Within PCP

35420033b Lisbon O DIABO in Portuguese
1 Dec 87 p 4

[Text] The references made in this column to an internal crisis in the PCP and to the problems occurring in this party—references which "pierced" the communist secrecy—are being fully confirmed. An example of this is the recent information about the resignation of about 40 functionaries of Alvaro Cunhal's party. However, the crisis is deeper: within the grass roots of the party, at the level of the cells, critical attitudes are witnessed and "openings" and genuine debates on the communist reality are advocated. Meanwhile, it is said that Albano Nunes, the official in charge of the PCP Central Committee section on external affairs, may be called to a more important position at the next congress, which would give rise to the conditions that would transform him into a kind of "bet on the future."

/06662

No Solution for PCP Seen in Cunhal Succession

35420030b Lisbon EXPRESSO in Portuguese
21 Nov 87 p 3

[Article by Jose Antonio Saraiva: "The Impossible Succession"]

[Text] Cunhal is currently facing many of the problems which Salazar faced in the last stage of his political life.

The problem of isolation—despite appearances.

There is a lack of desire to choose a successor (or even to give an indication along that line).

There is a sense that after him, a chasm will open.

Alvaro Cunhal has been at the head of the Communist Party too long not to deal with all of these problems. It will be remembered that Salazar joined the government in 1928 and left it in 1968—exactly 40 years later. Cunhal joined the Secretariat of the Central Committee in 1942, and he is still at the head of the party, more than 45 years later.

It will be said that the Communist Party cannot be compared with the Salazar National Union, and that is true.

But it would be naive to think that men do not put their mark on the political structures they head, quite apart from their philosophies or the differences which separate them. And with his style, Alvaro Cunhal has put his mark on the life of the PCP in the past 4 decades just as much as Oliveira Salazar put his mark on Portuguese politics between the end of the 1920s and the end of the 1960s.

And he did so to an even greater extent.

For two reasons.

First of all, because with the prolonged presence of a man at the head of a party, signs of attrition begin to appear at a certain point.

There are ways of dealing with problems, of facing up to them and resolving them, which, as they are repeated, begin to lose their freshness and the capacity to arouse enthusiasm. And where Cunhal and his actions at the head of the PCP are concerned, this has been clear for some time now.

And secondly, this is true because when a party becomes accustomed to the idea that it has a lifelong leader, it tends to transfer to him all of the responsibility, and to expect him to resolve all of the problems.

Party life tends to depend entirely on one man, through whom all balancing is done and without whom nothing is decided. And when the day comes when it appears necessary to replace him, the party is confronted with a tremendous void which no one is equal to filling. The search for a successor becomes an impossible task.

One senses such an atmosphere in the PCP today, as well.

But it is not only on the personal level that the problem of the lack of a credible successor to Cunhal is encountered.

More serious than this, the secretary general of the Communist Party has pursued a way of viewing and engaging in politics for so long, and has so exhausted it, that it will not be possible to continue his actions after he is gone.

It will be noted that since Alvaro Cunhal has headed our party, the Communist Party of the Soviet Union has suffered at least three shocks—that caused by the Khrushchev report, Brezhnev's "counterrevolution," and the impact of the rise of Gorbachev to power.

During these years, however, nothing basic, structural or profound has changed in the Portuguese PC.

Externally, the PCP adapted to all of the changes, but internally it remained the same. This for the simple reason that, as the Soviet experience shows, great changes are only possible when men change, and the leadership of the PCP has not changed in all these years.

This means that all of the changes in the party will come about suddenly, and only after the secretary general leaves the party leadership.

At this point, we will not, as some believe, be witnessing a mere struggle for power.

The problem will be more profound.

When Salazar fell, there was a cycle which came inexorably to an end in the life of the country, leading to the beginning of a new era.

The departure of Cunhal will also represent the end of an era for Portuguese communists. There was a formula, a style, and a policy which, because they have been pursued to the point of exhaustion, cannot possibly be continued.

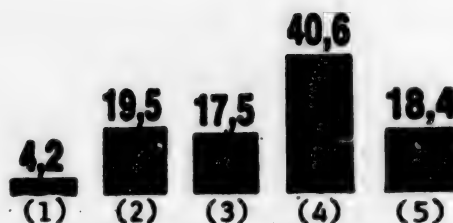
05157

Poll Reflects Effect of Stock Market Decline on Political Preferences

35420030a Lisbon EXPRESSO in Portuguese
21 Nov 87 pp 1, 6

[Text] The critical period seen in the stock market since the middle of October, which has had major social repercussions, has not affected the confidence of the Portuguese people in the government and their prime minister, Cavaco Silva, very much, the November poll of the EXPRESSO-Euroexpansao Panel showed.

Only 4.2 percent of the voters regard confidence in the government as "much" diminished, and overall not even a quarter of those questioned said that their confidence in the executive branch has been "somewhat" or "greatly" shaken. On the other hand, the poll revealed that the responsibility borne by the prime minister for the stock market crisis was "great" in the opinion of 11.4 percent, "moderate" in the view of 33.9 percent, "minor" for 7 percent and "none" in the view of 28.3 percent. Of the members of the panel questioned, 19.5 percent gave no opinion. At the same time, Cavaco Silva is now enjoying one of the highest popularity levels ever (69 percent), making it clear that the stock market movement has not substantially affected his image. It is to be noted also that



Of those questioned, 58 percent think that the stock market crisis reduced confidence in the government "not at all" or "very little."

Key:

1. Greatly
2. Somewhat
3. Little
4. Not at all
5. Don't know or no response

70 percent of those questioned indicated approval of the prime minister's attitude toward Guinea-Bissau, following the condemnation of the Portuguese fisherman in that country, while only 19 percent disagreed with his action.

The regular poll of the Panel (see continuation on p 6) further showed a spectacular rise in the popularity of the president of the republic (76 percent) and intentions to vote for the PSD (62.9 percent), as well as a resurgence for Freitas do Amaral, who registered a notable first place among the opposition leaders.

Vitor Constancio also emerged as the unchallenged leader of the PS in another question posed in the poll. There were as many favorable opinions voiced about him (42.1 percent) as for all of the six other possible candidates for socialist leadership, with only Jaime Gama standing out from the others with a reasonable percentage (23.9 percent), and a mere 2.5 percent for the minority leader Maldonado Goncalves, who won even less approval from the PS voters (0.6 percent).

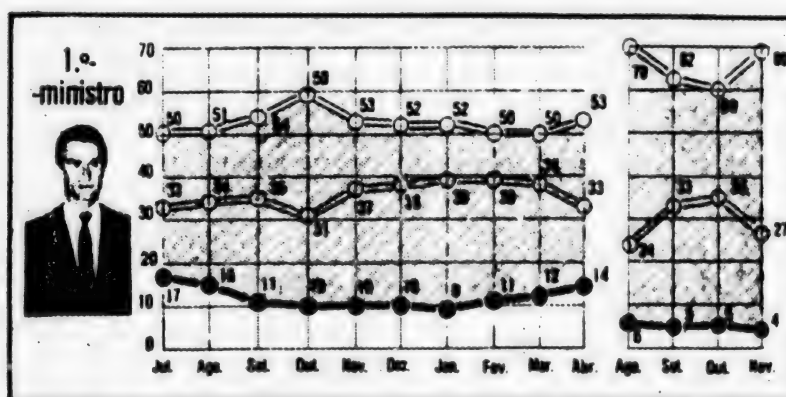
Freitas Leads Opposition

Apart from the resurgence of Freitas do Amaral, clearly revealing him to be the most popular opposition leader, the November EXPRESSO-Euroexpansao Panel poll reflected some spectacular increases. The president of the republic obtained his highest score ever, the prime minister rose to the highest level yet, and the PSD exceeded 60 percent. The opinions expressed showed almost national unanimity.

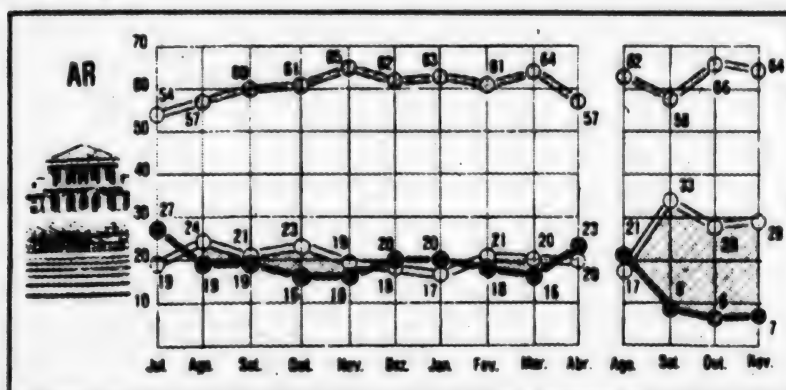


Nenhum candidato surge em condições de poder disputar a Vitor Constância a clara liderança do PS que o eleitorado lhe confere.

No candidate emerges in a position to challenge for the clear leadership of the PS conferred upon Vitor Constancio by the voters.

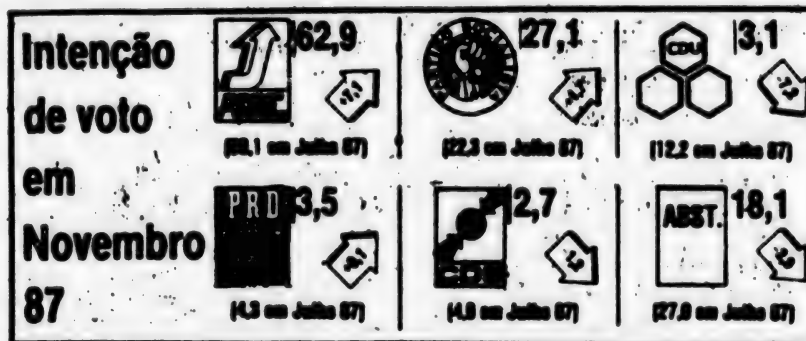


Cavaco Silva parece acompanhar o PR, destacando-se de todas as outras figuras políticas. As suas intervenções públicas neste último mês parecem ter reforçado a sua imagem

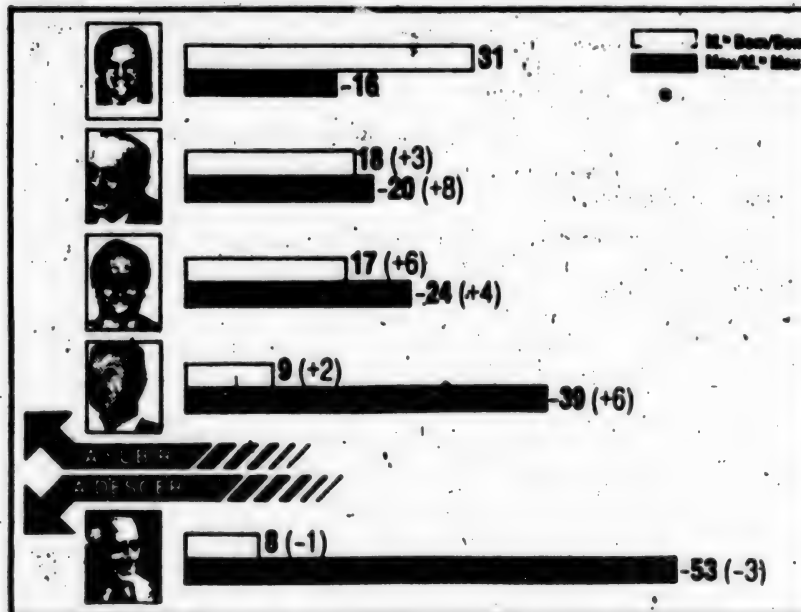


O Parlamento, como é habitual, surge com a imagem menos favorável. Mas, ainda assim, regista melhores níveis de popularidade do que na anterior legislatura

(For top chart) Cavaco Silva seems to be keeping pace with the president of the republic, standing out above all of the other political figures. His public speeches in this last month seem to have strengthened his image. (For bottom chart) Parliament, as is usual, came off with the least favorable image. But even so, it revealed a higher level of popularity than during the last legislative session.

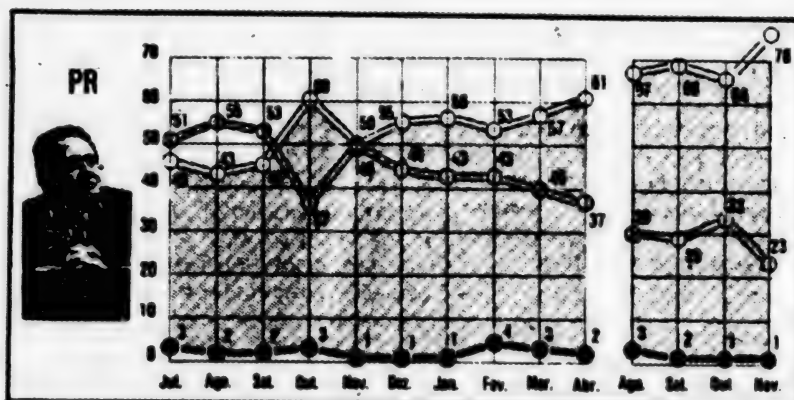


Além da notável intenção de voto no PSD, é de assinalar o ascendente do PS, esboçando uma tímida bipolarização. A acentuada descida da CDU explica-se-a parcialmente pelo particular comportamento dos seus apoiantes face aos inquéritos de opinião.

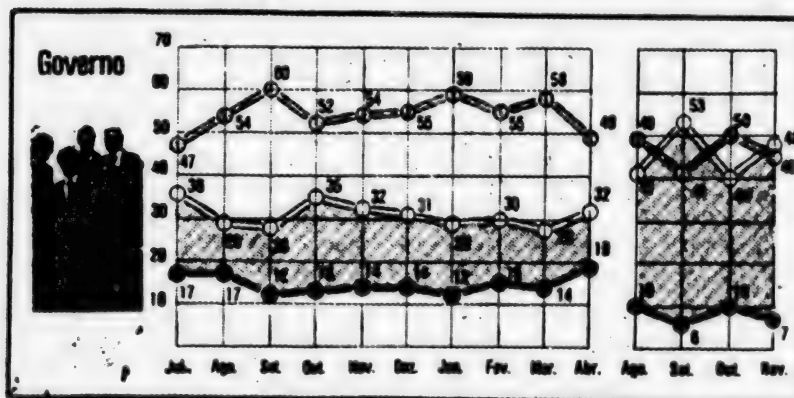


Beneficiando por certo de uma imagem pública resguardada há longos meses e afastado do desgaste das confrontações políticas, Freitas do Amaral, regressa com assinalável destaque.

(For top chart) Apart from the majority intention to vote for the PSD, the rise of the PS should be noted, providing a glimpse of a timid bipolarization. The sharp decline for the CDU might be explained in part by the particular reaction of its supporters to opinion polls. (For bottom chart) Definitely benefiting from a public image safeguarded over long months and unconnected with the attrition resulting from political clashes, Freitas do Amaral has made a notably forceful reappearance.



Mário Soares alcança uma quase inconcebível quota de popularidade de 76% ao aproximar-se o final do seu 2.º ano de mandato. Uma aceitação popular de que só Cavaco Silva se aproxima



Também o Governo viu fortalecida a sua popularidade, seguindo a excelente evolução do seu primeiro-ministro. As suas percentagens mantêm-se acima das do anterior Governo

○ Bom / Ruim / Não sabe ● Bom / Ruim / Não sabe — Bom / Ruim / Não sabe — Bom / Ruim / Não sabe

(For top chart)) Mario Soares has achieved the almost inconceivable popularity level of 76 percent as the end of his second year in office approaches—a level of popular acceptance which only Cavaco Silva approaches. (For bottom chart)) The cabinet also saw its popularity strengthened, following the notable improvement for the prime minister. Its percentages surpass those for the preceding cabinet.

SPAIN

Poll on Redondo-Gonzalez Clash: Surprising Results

35480034a Madrid TIEMPO in Spanish
16-22 Nov 87 pp 9-15

[Article by Felix Bayon and Antonio Perez Henares]

[Text] "Onward, Nicolas. The UGT [General Union of Workers] is behind you." It was last Thursday 5 November. The prime minister was trapped at the airport in Guayaquil, Ecuador because of another breakdown of the presidential DC-8. In the Sports Palace in Madrid somewhat more than 2,000 persons were encouraging Redondo to enter the fray and stage a power play against Felipe Gonzalez as secretary general of the PSOE. The shouting voices urging a "coup d'etat" within the Socialist Party seemed to sound a warning. According to a crash poll conducted by TIEMPO at almost the same time that the shouts of enthusiasm were ringing out, Nicolas Redondo is the man whom Spaniards prefer as a replacement for Gonzalez as secretary general of the Socialist Party.

"Operation Redondo" is thus reportedly under way as part of the strategy of many Socialists who are worried about the "turn to the right" by Gonzalez and his team. The aim is for the longtime union leader to withdraw his confidence from Gonzalez and challenge him at the PSOE congress.

Supporting the strategy will be the men from the Socialist Left, some of whose members, such as Antonio Garcia Santesmases, were at last week's meeting, which was called as "an act of union affirmation" and "to support the ethical stand taken by Redondo and Saracibar in abandoning their seats in Parliament" because of the economic policy that the Gonzalez administration is pursuing.

Likewise, the fact that the meeting was attended by Mario Trinidad, the former undersecretary of Javier Solana, and Pedro Sabando, the undersecretary of health under Ernest Lluch, both of whom head a full-fledged movement critical of the current Socialist apparatus, would indicate that the operation to convince Redondo to take the step that the UGT rank and file is asking him to could also comprise an entire sector of the PSOE that does not agree with Solchaga's economic policy or with the 1988 State budgets.

Although Redondo keeps on calling for caution, the fact is that in private conversations he does not conceal that he has broken once and for all with Felipe Gonzalez, his protegee at the 1974 Suresnes congress, though he is loath to engage in what he calls a "confrontation with Felipeismo." Thirteen years after the Suresnes congress Felipe Gonzalez told this magazine that "it is not good for colleagues to argue about an issue that is completely

normal in a democracy. The democratic thing is not to think that someone can hold a post forever, and the party has no choice but to reflect on it."

With the PSOE congress almost upon us, the question of who Gonzalez' successor will be as the party's secretary general has one answer for many dissident Socialist sectors: Nicolas Redondo.

"He's been around the longest," they argue. "It was he who decided that Felipe would become secretary general of the party in 1974, and he's the only one who can legitimately succeed him. It would be a genuine power play, but he's also closest to the party's distinguishing characteristics."

Although some in the apparatus of the ruling party think that such a power play could come about and that certain sectors want to see it happen (from Luis Gomez Llorente to the new critics: Julian Campos, the former minister of public works; Luis de Velasco, the former undersecretary of commerce, and the ousted Pablo Castellano, Redondo's big defender), the fact is that they are so afraid of the established power than when the possibility is raised with them, they say that "one cannot be too cautious."

Redondo on the Rise

That same caution was in evidence last week at the meeting when the excited rank and file called on the UGT secretary general to enter the fray, shouting as one: "Onward, Nicolas; the UGT is behind you."

But the PSOE's longstanding rank and file are not alone in urging Redondo to do battle. A crash poll conducted by TIEMPO shows that Spaniards see Redondo as the man with the best chance to replace Felipe Gonzalez in the party.

In answer to the question "Who would you like to see in charge in the PSOE?" 49.3 percent said Felipe Gonzalez, while 27.2 percent chose Redondo. If it were up to the Spanish people, Gonzalez would continue to run the Socialist Party. But if Gonzalez decided to devote himself exclusively to government tasks, who do Spaniards think should be his successor in the party?

When Gonzalez and Redondo are pitted against two of the best known Socialist politicians, Alfonso Guerra and Miguel Boyer, the prototypes of two distinct images of the ruling Socialist Party, Spaniards lean clearly towards the labor leader as the heir to the PSOE secretary general.

Among Gonzalez, Redondo, Guerra and Boyer, Spaniards continue to choose Gonzalez as the top man in the PSOE. But Redondo does better than Boyer, who beats out Guerra. Oddly enough, Alfonso Guerra, Gonzalez'

most likely successor as PSOE secretary general, has the backing of only 7.5 percent, compared to 10.9 percent for Boyer, 18.5 percent for Redondo and 45.3 percent for Gonzalez.

Among all Spaniards, United Left voters would be happiest to see Redondo replace Felipe Gonzalez. Two-thirds of those who recall voting for the IU at the last election feel that Nicolas Redondo would be the best secretary general for the PSOE. He is far ahead of Felipe Gonzalez (10.6 percent), Alfonso Guerra (3.4 percent) and Miguel Boyer, who did not receive a single vote of support from this political constituency.

Guerra, the man who in summarizing the PSOE crisis said 2 weeks ago that "where there is carrion, there are vultures," has only one-third the support among Spaniards that Redondo does when the talk turns to filling Gonzalez' chair at Socialist headquarters on Ferraz Street in Madrid.

The respondents seem to agree, then, with the PSOE sectors that are starting to see Redondo as the future leader of Spanish socialism. His image has grown ever since last February he engaged in a bitter TV debate with Carlos Solchaga. Various opinion polls have shown that Spaniards support Redondo against Solchaga.

When the confrontation focuses on Redondo and Felipe Gonzalez himself, most Spaniards still take the labor leader's side. The poll conducted by this magazine reveals that in the battle between Gonzalez and Redondo more want the UGT secretary general to prevail (30.9 percent) than the prime minister (21.9 percent), although a striking number (26.5 percent) do not want either to be victorious.

Only PSOE voters (by 40.7 to 33.2 percent) prefer a Gonzalez victory. The difference of opinion between the party's historic rank and file and its voters is, therefore, striking.

Support on the Left

It is on the Left that the Spanish prime minister finds the least support, not even 1 percent, whereas Redondo is backed by 80.1 percent of the respondents.

The Left is thus closer to the labor leader, perhaps because it identifies more with Redondo's "human and political ethics," as extolled by the UGT's secretary in Madrid, Jose Luis Daza, at the meeting last Thursday when he talked about the courage that Redondo and Anton Saracibar showed in turning in their certificates as deputies in Congress.

"This is the political ethics, which define what it really means to be a Socialist, that many of us men and women in the PSOE and UGT, who regard ourselves as long-standing, old-style Socialists, want Nicolas to lift on high. Many of us who were in the party before Felipe

became secretary general are now beating our breasts for having lifted him to power, and we have reached a conclusion: Nicolas is the only one who can save Spanish socialism, the last distinguishing characteristic that we have left," a longtime member of the UGT Executive Commission asserted last week.

But Nicolas Redondo does not appear determined to jump into the ring and face off politically with Felipe Gonzalez. Time and again the labor leader says that what he wants to do is entrench himself in the union. "You, back to your trench," boomed a loud voice in the Madrid Sports Palace during the last big meeting of the UGT, urging Redondo to keep his distance from the administration.

But the cry that was chanted in unison by thousands of voices was still "Onward, Nicolas; the UGT is behind you."

"There is no force or well-known figure in the party who can face up to Felipe. Only Nicolas. And Nicolas doesn't want to. He knows that they want to put him in there, and he runs away. He feels that engaging in a political confrontation means falling into the trap that Guerra has set for him, and he knows Guerra very well. And, naturally, he fears him. That's why Nicolas has decided to entrench himself in the union, as he himself publicly acknowledges, and to declare a war of independence. That is the first step," says a confederated leader of the UGT.

"Once this step has been taken," he goes on to say, "we have to wait. Once the UGT has become independent of the administration, it will have a free hand and have no commitments to the authorities. If Felipe loses the next election, the time may then come to settle accounts. Then Nicolas may repeat what he said at Thursday's meeting, that the administration is to blame for having abandoned the people who voted it in, for having been seduced and prostituted by the Right."

In the TIEMPO poll a small minority believe that the PSOE will wind up splintering because of the internal conflicts that it is currently experiencing.

Only 8.3 percent of Spaniards believe that the PSOE will break up. Among all the respondents the most optimistic are precisely the PSOE voters, as only 4.5 percent of them so forecast.

A somewhat larger number predict that the current crisis will wind up costing Felipe Gonzalez his leadership: 14.4 percent, although the percentage rises to 20.4 when only Socialist Party voters are considered.

Most of the respondents are inclined to believe that disaster will not strike the party and that the Socialists will wind up coming to terms and resolving the crisis among themselves before it has serious consequences. Some 69.8 percent of Spaniards feel that way.

Who Would You Like to See in Charge in the PSOE?

	TOTAL (%)	Sex		Age				Voted for
		Men	Women	18-29	30-45	46-64	65 and over	PSOE
FELIPE GONZALEZ	49,3	49,9	48,7	47,3	47,6	50,8	51,3	68,2
NICOLAS REDONDO	27,2	30,2	24,3	24,5	31,1	26,2	27,6	23,8
Don't know/NA....	23,5	19,9	27,0	28,2	21,3	23,0	21,1	8,1

	TOTAL (%)	Sex		Age				Voted for
		Men	Women	18-29	30-45	46-64	65 and over	PSOE
ALFONSO GUERRA	14,4	14,4	14,5	11,9	18,9	8,5	23,3	14,9
FELIPE GONZALEZ	61,6	64,2	59,0	62,5	56,9	68,8	52,7	75,4
DK/NA	24,0	21,3	26,5	25,6	24,2	22,7	23,9	9,8

	TOTAL (%)	Sex		Age				Voted for
		Men	Women	18-29	30-45	46-64	65 and over	PSOE
FELIPE GONZALEZ	64,2	65,9	62,5	57,2	64,3	61,6	78,9	65,2
MIGUEL BOYER....	13,0	13,9	12,0	18,0	14,5	14,8	2,0	6,4
DK/NA	22,9	20,1	25,6	24,8	22,3	23,8	19,1	7,7

Nicolas Redondo declined the post of secretary general at the Suresnes congress 13 years ago. Today the PSOE has changed a great deal, and almost none of the people who supported the candidacy of the Basque union leader on that occasion has decisive strength in the PSOE. But there are some left. They have now been joined by a new batch of young Socialists who see him as their ethical reference point. Even so, however, they still have little strength, for the time being, even if, as the new UGT slogan goes, they describe themselves as having "the strength of being right."

Technical Data

Universe: 18-year old and over. Area: Spain. Sample: 1,000 interviews, by municipalities. The maximum statistical error of the survey data is plus or minus 3.2

percent, for a confidence interval of 95.5 percent and $p/q=50/50$, according to the Arkin and Colton tables. Selection of sample units: in accordance with the following procedure: multistage random itineraries within each zone for determining the site of the interview; equally random selection of the individual to be interviewed at the meeting place. The selection was complemented by a quota correction system by sex, age and occupation, consistent with the actual population. Interviews: Conducted in person at randomly chosen points. Control and supervision: there was dual control during the field work: supervisory assistance by several team leaders, and data consistency control using their own program. Date of field work: 5 November 1987. Conducted by: SIGMA DOS, S.A. Technical team: Pablo Sanmillan and Begona Guzman. Director: Carlos Malo de Molina.

8743

How Do You Think the Current Conflicts Inside the PSOE Will End up?									
	TOTAL (%)	Age				Recall Voting for			
		18-29	30-45	46-64	65 and over	PSOE	AP	CDS	IU
The Party Will Break up.....	8.3	8.4	9.1	8.6	10.3	4.5	9.4	9.3	6.4
Will Cost Gonzales His Leadership	14.4	11.6	10.7	19.8	13.7	20.4	16.6	12.2	10.7
Tensions Will Persist Without Major Consequences...	69.8	73.7	74.5	64.4	66.1	66.7	66.5	71.5	76.7
Don't know/NA	7.5	6.3	5.7	9.4	7.8	6.4	6.8	5.6	4.1

In the Current Confrontation Between Felipe Gonzalez and Nicolas Redondo Inside the PSOE, Whom Would You Rather See Win?									
	TOTAL (%)	Age				Recall Voting for			
		18-29	30-45	46-64	65 and over	PSOE	AP	CDS	IU
NICOLAS REDONDO....	30.9	27.7	35.5	30.4	30.0	33.2	17.9	38.9	80.1
FELIPE GONZALEZ	21.9	19.2	23.0	23.0	22.2	40.7	5.9	22.9	—
Neither	26.5	26.7	25.4	24.1	32.4	11.3	53.6	23.2	12.7
No difference	17.3	22.2	12.8	19.8	11.7	12.1	18.2	15.0	7.1
Don't know/NA	3.4	4.2	3.3	2.8	3.8	2.6	4.4	—	—

And Among All of Them, Whom Would You Choose?											
	TOTAL (%)	Sex		Age				Recall Voting for			
		Men	Women	18-29	30-45	46-64	65 and over	PSOE	AP	CDS	IU
FELIPE GONZALEZ	45.3	45.4	45.1	47.1	39.6	49.5	42.8	60.5	23.1	32.8	10.6
NICOLAS REDONDO	18.5	18.4	18.6	17.1	19.2	16.3	23.5	15.3	16.0	20.8	66.5
ALFONSO GUERRA	7.5	7.9	7.2	6.6	10.4	5.2	9.1	5.8	9.5	14.6	3.4
MIGUEL BOYER	10.8	12.0	9.8	12.3	12.5	11.3	5.7	4.1	19.7	13.9	—
Don't know/NA	17.8	16.4	19.2	18.8	18.4	17.6	18.9	6.2	31.8	18.0	19.5

GREECE

New Installations To Enhance EAV Production *35210041 Athens TA NEA in Greek 20 Nov 87 p 10*

[Excerpt] The Greek Aircraft Industry (EAV) will acquire new physical facilities and technological installations in order to satisfy the increased needs to which it has obligated itself within the context of the offsets deriving from the purchase of the 80 new F-16 and Mirage combat aircraft.

These new activities of the EAV in the field of the offsets program were mentioned yesterday by deputy Minister of National Defense Stathis Giotas during a visit to the EAV installations in Tanagra.

/06662

NORWAY

Subsidy to Weapons Maker To Come From Defense Budget

Kongsberg Vapenfabrikk in Trouble
36390010a Oslo AFTENPOSTEN in Norwegian 30 Oct 87 p 3

[Article by Thorleif Andreassen: "KV Storm for Holst"]

[Text] Do KV's financial problems mean that the real growth in the defense budget this year will be only 2.5 percent? The question is warranted. For the Labor Party and middle parties are supporting the defense minister's proposal that a 150 million kroner supplementary grant to KV be charged to the 1987 defense budget.

This comes from a recommendation by the defense committee concerning changes in the defense budget's appropriations for 1987. The Conservative Party and Progressive Party reject the proposal. There will be a showdown concerning this in the Storting today.

KV Settlement

The Defense Ministry is proposing certain rearrangements in this year's defense budget and a supplementary grant of 378.5 million kroner. Included in the supplementary grant is a sum of 100 million kroner, in part in order to cover a contract settlement at Kongsberg Vapenfabrikk. The KV settlement is causing defense a loss of 420 million kroner.

Of this amount, it is figured that 170 million kroner will be paid back in dividends, 100 million will be granted in addition, and 150 million kroner will be charged to the 1987 defense budget.

According to the recommendation, the Labor Party's, Christian People's Party's and Center Party's defense committee members approve 250 million kroner being

used for partial covering of the KV settlement, with a supplementary grant of 100 million kroner and 150 million kroner within the Defense Ministry's budget.

Distinct Weakening

The Conservative Party's and Progressive Party's committee members point out the fact that it is an assumption on the Storting's part that there is to be real growth of 3.5 percent in the defense budget in the present year. A 150 million kroner debit that it is proposed be covered within the budget will involve an almost one-percent reduction in growth.

This will mean a distinct weakening of the defense effort as compared with the assumptions, these members think. They state that this outlay for a contract settlement in lieu of bankruptcy is based just as well on industrial policy as defense policy. The Conservative Party and Progressive Party are proposing that the entire net sum of 250 million kroner be covered outside the 1987 budget as a supplementary grant.

At the same time a united committee will reject Defense Minister Johan Jorgen Holst's proposal concerning further debiting of the defense budget if it appears that the estimated revenues (dividends) from KV will be lower than 40 percent.

Budget's Real Growth Reduced

36390010a Oslo AFTENPOSTEN in Norwegian 31 Oct 87 p 3

[Article by Thorleif Andreassen: "KV Responsible for 2.5-Percent Growth in Defense"]

[Text] "Unacceptable and at complete variance with the Storting's clear assumption of 3.5-percent real growth for defense in 1987."

Speakers from the Conservative Party and Progressive Party emphasized this when the Storting discussed yesterday changes in the defense appropriations for this year. The result of the KV settlement will be that defense's real growth will be just 2.5 percent in the present year.

"Defense has to pay 421 million kroner for goods and services that defense has already paid for," pointed out Tore Austad (Conservative Party). The Conservative Party and Progressive Party think that the defense budget should not be debited for the KV settlement, and that a 250 million kroner supplementary grant should be voted. The Storting majority has another opinion. Defense is incurring a loss of 420 million kroner as a consequence of the contract settlement at KV. Of this amount it is figured that 170 million kroner will be paid back in dividends and 100 million were voted as a supplementary grant, while the Storting majority decided that 150 million kroner are to be charged to the 1987 defense budget.

8831

PORTUGAL

Poll Reveals Majority for Independent European Defense

35420033a Lisbon *DIARIO DE NOTICIAS*
in Portuguese 3 Dec 87 p 10

[Text] A majority of the Portuguese people—67 out of 100—believes that Mikhail Gorbachev's disarmament proposals are sincere and view the Kremlin leader's initiatives as aiming at the establishment of a genuine peace in Europe. On the other hand, a substantial majority of those polled agrees with the creation of a common European defense that would not depend on the United States. These are the results of a national poll conducted by the Institute of Strategic and International Studies that will be published in the winter issue of the *ESTRATEGIA* magazine.

Sixty-six percent of the Portuguese people believe that Gorbachev's proposals aim at the establishment of a true peace in Europe, while 33.3 percent affirm that Moscow's intention is to weaken Europe militarily by leading to a reduction of the present American military presence.

On the other hand, more than 90 out of 100 persons agree on the creation of a common European defense. This poll queried 1,207 Portuguese over 18 years of age and was conducted on the continent in July of this year.

When asked what would be the best way to organize European defense, 57.3 percent of the respondents affirmed that they preferred a system that would not be dependent on the United States, but would closely cooperate with this country. At the same time, 31.3 percent said that they favor a totally independent European defense, while only 11.4 percent expressed the conviction that the best way would be total integration of the United States.

Another of the questions included in the poll referred to the need for nuclear weapons in order to preserve security in Europe. A majority of the respondents—64.2 percent—believes that Europe would be unable to guarantee security for very long in a confrontation with the USSR and the Warsaw Pact without nuclear weapons. A total of 35.8 percent of the respondents feel sure that European security will be preserved in spite of the abolishment of nuclear weapons in light of the INF agreement to be signed in Washington next week.

NATO and the Portuguese

The Institute of Strategic and International Studies poll that will be published in the *ESTRATEGIA* magazine, and which will include charts indicating the variations by sex, age, socio-economic class, educational level and political position, also reveals that only 6 out of 10

Portuguese are aware of the nature of NATO. At the same time, 57.9 percent of the respondents say that they are in agreement with Portugal's presence in the Atlantic Alliance, while 27.3 percent are indifferent. A total of 14.8 percent say that they disagree.

For their part, more than 56 percent of the Portuguese affirmed that NATO has carried out its defense of the West mission "not well, not poorly." A total of 37.2 percent said that the alliance has carried out its functions in a "satisfactory" way, while 9.4 percent affirmed the opposite.

When asked who is the most important military power in the world, only 1.8 percent considered that it is Europe. The rest divided their opinion between the United States and the USSR. A total of 49.5 percent said it was the Soviet Union, and 48.7 percent attributed the position to the United States.

/06662

SPAIN

Soviets Purchase Photos of U.S. Bases

35480039 Madrid *CAMBIO* 16 in Spanish
23 Nov 87 p 5

[From the column: "From a Good Source"]

[Text] The officials of the pictorial service of a Spanish news agency with headquarters in Madrid were very surprised when they received the visit of some functionaries of the Soviet Embassy in the Spanish capital, who purchased all the photographs available of the United States' bases in Spain.

/06662

SWEDEN

New Regulations Make Police 'Combatants' in Event of War

36500026c Stockholm *DAGENS NYHETER* in Swedish
3 Nov 87 p 39

[Article by Anders Ohman: "Changed Regulations for Defense Personnel"]

[Text] Armed forces personnel will become combatants in the event of war if Sweden is drawn into armed conflict. Policemen and guards are included in this group.

A combatant has the right to defend himself by using weapons and the right to confront and fight the enemy with weapons. From the standpoint of international law, a combatant has the right to be treated as a prisoner of war.

The government recently reached a decision on the legal position personnel in the total defense system will have in the event of an armed conflict.

The Geneva Conventions of 1949 and the additional protocol of 1977 form the basis for the regulations established by the government.

Combatant or not—this is an important question during a war, assuming that the warring parties care about international law. A civilian who does not use a weapon in war enjoys greater protection under international law than a person who uses weapons.

Partisans and spies are often treated worse than members of regular military units.

There are some groups of people who are not combatants, but who work within the armed forces. These include clergy, certain medical personnel, and civil defense workers.

The government's decision means that the commander in chief, OCB (National Civil Preparedness Board), the National Rescue Service, and the Social Welfare Board are responsible for training and informing their personnel in matters of international law.

One important detail for the various personnel categories is that it must be possible to identify them quickly. They must carry identity papers that indicate their status under international law, according to the Defense Ministry.

The government has also called on the state authorities in question to study the need for clearly marking various civil defense, medical, and energy facilities. Clearly marking these facilities according to their status under international law would give them added protection, the Defense Ministry said.

09336

Armed Forces Commander Proposes Army Reorganization

36500026b Stockholm DAGENS NYHETER in Swedish
3 Nov 87 p 16

[Article by Anders Ohman: "Commander Proposes Three Army Types"]

[Text] Point defense army, territorial army, and elite army—these three types of army units are included in Commander in Chief Bengt Gustafsson's proposal for an army reorganization. The proposal has been distributed for consideration by the chiefs of the armed service branches. They will respond in late November.

The three new army units in the commander in chief's proposal will consist of inductees who will undergo different periods of training. The army chief, Lieutenant General Erik G. Bengtsson, previously announced this differentiation of service time, depending on the military assignments of the units.

Local defense units and point defense units, which will work together with the Home Guard and protect important facilities during times of war, will have the shortest training periods. A new idea in the commander in chief's proposal is the territorial army, which will be given various defense assignments.

The framework of the future Swedish army will be formed by the assault brigades, which are expected to total about 20 brigades of 5,000 men each. The task of these brigades will be to confront, stop, and defeat the enemy. They will possess heavy fire power and form an offensive component.

Inductees in these brigades will have the longest training times. Training periods for inductees in the army today vary from 230 to 450 days.

The army now has 23 infantry and Norrland brigades. The commander in chief's recommendation would reduce this number. Six armored and mechanized brigades are also included.

The commander's proposal for a reorganization of the army will be complete during the fall of 1988. The reorganization should be seen on the background of the army's previous serious economic difficulties, including a deficit of 600 million kronor.

A change in the military threat has also raised demands for a restructuring of the army.

"We must get our guard up earlier and be able to increase our level of preparedness quickly," Commander in Chief Bengt Gustafsson has said on many occasions. The present threat includes enemy sabotage units that may be expected to destroy important objectives in Sweden during a prewar stage, before the armed forces have had time to mobilize.

"I would like to stress that the commander in chief's proposal is just a basic outline. Anything can happen before it is complete," said Jan Tuninger of the defense staff.

Next week Commander in Chief Bengt Gustafsson will meet with the mass media and report on the operational military situation in the Nordic countries.

09336

EUROPEAN AFFAIRS

Farm Incomes Down 17 Percent

36200046 Frankfurt/Main FRANKFURTER
ALLGEMEINE ZEITUNG in German 23 Dec 87 p 12

The real income of German farmers fell 17.2 percent this year after rising 10 percent in 1986. This is according to calculations of the EC Office of Statistics in Brussels. In 1987, incomes were 3.6 percent lower in the EC on average, with the German agricultural sector experiencing the largest drop. Incomes fell 10.8 percent in Denmark, 7.2 percent in Belgium, 6.4 percent in France and 3.2 percent in Great Britain. According to officials, the cause of this decline in income was the drop in prices for agricultural products by an average of 1.4 percent. In addition, cold and rainy weather during the spring negatively influenced the quality of the cereals crop. On the other hand, farm incomes rose in Ireland (11.7), Spain (7.7), the Netherlands (2.7) and Luxembourg (2.1). Incomes remained stable in Greece and no figures were available for Portugal. An EC Commission spokesman said that the situation appears less catastrophic when viewed over the long term. Farm incomes on the whole have been stable since 1980. A decline was seen only in the FRG and Italy (a decline of 10 percent). By contrast, farm incomes since 1980 have risen in real terms by over 30 percent in Spain, and by over 20 percent in the Netherlands and Denmark. The figures pertain only to income from agricultural activity and not to additional income earned by farmers from second jobs outside of the agricultural sector. The German Farmers Association stated that these alarming figures should encourage the FRG government, which takes over the EC presidency at the beginning of January, to do everything in its power to bring about the fundamental reform of agricultural policy.

FEDERAL REPUBLIC OF GERMANY

DER SPIEGEL on Economic Crisis, Repercussions for FRG

Bonn Considers Course of Action

36200032 Hamburg DER SPIEGEL in German
16 Nov 1987 pp 17-19

[Unattributed article: "Nobody Can Foresee Where We Are Headed"; first paragraph is a DER SPIEGEL introduction]

[Text] Fear of a recession is abroad after the selling off at the stock market and after a new record low of the dollar. But while the citizens worry about the economic future, the Bonn government sits on its hands. Not even the pressure from abroad makes any difference: An anticyclical program for stimulating economic activity is not to be established.

That was vintage Helmut Kohl as the Christian Democratic party rank and file appreciates him. With a voice that does not indicate any self-doubt, his gaze directed at the ceiling of the Bonn Beethoven Hall, the federal chancellor proclaims "that we have a better grasp of a modern economy than others." We—the Christian Democrats. Applause, confident faces.

The smug self-satisfaction of the Bonn government chief rarely was so out of place as in these sentences spoken at the CDU Congress last Monday in Bonn. This was preceded by weeks in which the stocks and the dollar competed in moving downward. Days were to follow in which a completely irrational up and down movement of the most important stock and foreign exchange quotations drove even the calmest professionals to despair.

And in the midst of it, in all the turmoil, the citizens experienced a government that acted as if the entire turmoil was not its concern. Full of hope bankers and stock exchange operators, the loyal followers of the conservative coalition, directed their gaze towards Bonn. But for a long time nothing stirred there.

While the Bonn people practice doing nothing, fear of crisis spread in the country. Dollar exchange rates and stock indices were included in every single newscast; people gathered in front of the stock quotation tables of the banks during stock exchange hours. On Tuesday when the stock prices and the dollar had reached a new record low level, the nation was also in a depressed state.

Recession and depression are the favorite terms of the season. Not only citizens inexperienced in economic matters ponder over the consequences of the storms that have swept over the stock and foreign exchange markets in recent weeks. Even the professionals in banks and on the management levels of enterprises show insecurity as they have not done for a long time.

The predictability of the next few months is lost to the managers of enterprises. Even though managers, such as Siemens boss Karlheinz Kaske, see "no cause for dramatization,"; even though a manager, such as Veba boss Rudolf von Bennigsen-Foerder recommends "to break through the tendency towards pessimism peculiar to us"—the shock of the stock market and dollar crash lingers and it will have consequences for the real economy.

Anxieties about the future have gripped especially the smaller and medium-sized enterprises which are less well cushioned with reserves than the big companies such as Siemens or Veba.

Germany's bankers show themselves to be deeply alarmed in confidential conversations. They had relied on the constant assurances given to them in recent

months by Finance Minister Gerhard Stoltenberg, central bank President Karl Otto Poehl, and the Americans: The dollar, at about DM 1.80, has reached a sensible level.

But then the U.S. rate of exchange sagged penny by penny and the monetary policymakers watched it happen without doing anything about it. "Here there were tremendous lies," a Hamburg banker boiled with indignation, "the confidence in the politicians is gone."

In recent weeks many a banker came back full of irritation from the meetings of the board of directors of industrial enterprises. Everywhere, they reported to their colleagues, the investment decisions for next year are being shelved or revised.

It was so slow for this information to get to Bonn as if the capital were located on a far distant island. It was not until last week that the officials in the economic and finance ministry compiled possible consequences of the dollar disaster on the state of the German economy.

The lists reached a considerable length. Diminishing growth prospects in the United States, more cautious consumer behavior in the FRG, shelved investment plans—all that, that was the upshot, would markedly curtail the growth of the German economy, too.

"Serious dangers for the state of the world economy and our own economic development" on Tuesday was recognized in a letter of Economics Minister Martin Bangemann to the still idle "Dear Colleague" Stoltenberg. The FDP man urged a new monetary agreement of the Western industrial countries. The Germans, he said, must make a contribution of their own to the concerted action. Otherwise, "we run the danger," according to Bangemann's letter, "to get into an increasingly isolated position."

Bangemann's action came about not even on his own initiative. Several FDP deputies at the session of their parliamentary group in Berlin on Tuesday had pointed out that the old instruments will no longer suffice to fend off a recession.

With grumbling it was noted that former Federal Chancellor Helmut Schmidt had his former Economics Minister Otto Graf Lambsdorff speak out everywhere with analyses and advice. However, the competent ministers of the present government, its party chief Bangemann and the Christian Democrat Stoltenberg are invisible to the trembling people of the FRG.

Instead of dealing with the looming world economic crisis, Colleague Bangemann convenes his party's federal executive to a costly talk on masquerade. A deputy is enraged: "He has probably gone crackers."

Scared the FDP deputies then also noted that irritation is roused among their friends in management. Tyll Necker, the president of the National Federation of German Industry, demanded an "expansive process." Those in government must not become "prisoners of our slogans from yesterday," according to Necker's self-criticism. The top industrialist: "One must wear different clothing during winter than during summer."

In the coalition talk last Wednesday it was Foreign Minister Hans-Dietrich Genscher who presented his worries over the condition of the economy. According to Genscher, the government must concern itself with domestic demand.

The—meanwhile unanimous—criticism from abroad of the stubborn Germans had pushed the foreign minister to take this action. The Germans of the FRG were attacked from beyond the borders more and more vehemently because they continue to export over DM 100 billion more than they import but they are not prepared to put the world economy back on its feet.

Genscher demanded a conference of ministers with the participation of the German Federal Bank. On Thursday at 0830 hours the meeting was held in the Chancellor's office. The initiator of the meeting could not be really happy over the result.

The president of the German Federal Bank, Karl Otto Poehl, did promise new reduction of interest rates. But another meeting of the Group of Seven big industrial nations (United States, Japan, France, Great Britain, Italy, Canada, the FRG) was rejected as "a much too spectacular action" (one participant). And Finance Minister Stoltenberg did not want to have anything to do with a boost for the domestic economy.

Apparently they did not want to admit in Bonn that economic storms are brewing now for as many as 2.1 million registered unemployed; that, starting from the economic disaster of the Reagan Government, a global economic downturn is imminent. After all, they said, everything is going smoothly.

Indeed for most before Black Monday little indicated that the world economy could drift into a recession or even a serious crisis within the next two years. It is true this year the economy no longer operated by a long shot with as much steam as in the boom year of 1984 when the Americans excelled with a growth rate of almost 7 percent, the Japanese achieved 5.8 percent and the Germans after all still added 3.3 percent.

But after a slack phase in the first half of the year, the growth in the United States and Japan accelerated again so that both countries will attain a plus of 3 percent this year. The British economy, for a long time almost mortally ill, achieves as much as 4 percent and thus its

rate of growth is faster than that of all other industrial nations. The Germans, after an exceedingly slow start, will achieve a rate of growth of 1.7 percent.

Thus the managers of the economy of the Western world, whose vision is frequently dimmed by growth optimism, apparently had no reason to fear serious trouble for the near future. At most a reason for caution were a few ugly spots in the United States. The past 5 years, in which the United States achieved the longest economic upturn, at the same time were also years of an unparalleled U.S. indebtedness.

The boom in the land of the allegedly unlimited opportunities was built not on superior performance and dynamics, as the Reagan Administration had boasted for a long time, but on borrowing of billions upon billions.

Someday historians will be confused, e.g. Ronald Reagan's former budget director David Stockman wrote as early as 1986, when they see the "elephantine figures" of the budget deficit: \$1.2 trillion, "totaling more than all of Ronald Reagan's 39 predecessors together have accumulated."

The results will show, the Republican wrote at that time, "that the Americans have rushed headlong into a huge hole in relation to the rest of the world." And: "It opened up so fast that it has hardly talked about or it was also not noticed until it was too late."

Almost prophetic. But Wall Street in the meantime was riding the bulls. What Stockman said they regarded as the revenge of a disappointed supply side economist on a former boss.

Attracted by the high interest rates which Washington's Treasury Department had to offer for its superabundantly offered bonds and blinded by the high growth rates in the United States, Japanese and Europeans at first brought capital in overabundance to the United States. The dollar which the foreigners bought went up and up.

With the overvalued U.S. currency U.S. goods became more expensive on the world markets while foreign goods could be offered correspondingly cheaper in the United States. More and more branches of U.S. industries got into difficulties as a result of the import flood and the loss of foreign markets.

Even U.S. firms with seemingly overwhelming market position could no longer hold down the foreign competition. Thus the European Airbus consortium, a new-comer in the building of large commercial aircraft, broke into the southeast Asian market controlled by the U.S. Boeing aircraft manufacturer; even U.S. airlines in the homeland of Boeing and McDonnell Douglas bought Airbus fleets.

Not until the dollar climbed to DM 3.47 in February 1985 when the U.S. trade deficit plunged into the red and the high interest rates noticeably dampened the economy, not until then was it over with the Reagan Administration's pride in its absolutely secure dollar rate of exchange.

The economist geniuses in the White House could no longer ignore that the high dollar was no sign either of political power or of economic strength. They did have to admit that U.S. industry was being driven into ruin by the inflated rate of exchange.

At U.S. urging the governments of the most important industrial countries finally agreed to force down the dollar. But there is no effect as yet: The U.S. balance of trade deficit increased during the past two years and also this year; at the same time Japanese and Germans increased their surpluses. Flows of goods cannot be as easily and quickly redirected as monetary flows in which billions of dollars, DM or yen can be set in motion lightning fast by computer pushbutton or by telephone.

Enormous amounts of foreign currency are immediately switched if a slight change in the exchange rate promises a fast profit. Car buyers, on the other hand, do not immediately switch to a domestic model if the luxury car from Europe has become somewhat more expensive. Suppliers of machine tools do not abruptly give up a foreign market if business there becomes more difficult on account of unfavorable monetary trends. And some orders, such as the construction of large-scale installations, take years to complete.

Thus U.S. import surpluses in 1987 will rise to the record amount of \$170 billion. The United States, once the biggest creditor nation in the world which appeared to have a firm hold economically on the globe, is now the world's by far biggest debtor.

By the end of this year the U.S. foreign liabilities will amount to \$400 billion. That is as much as the total that all Latin American countries owe to the Western banks.

Enormous deficits in the United States, tremendous surpluses in Japan and the FRG—the world economy, more closely interlinked than ever, was out of whack; the growth figures which were still quite respectable merely concealed the view of the sober and horrible reality. The day of reckoning had to come and it did come.

Now with the strong shakes of the stock exchanges and a U.S. currency that seemingly has become uncontrollable, the fear of recession is worldwide. It is a known fact: a stock market slump preceded all cyclical downturns of the postwar period.

It is hard to believe that the worst stock market crash of the century would remain without consequences. It is also inconceivable that the unparalleled plunge of the capitalist reserve currency would not throw the world economy into disorder.

The events of recent weeks put people in a bad mood and make them feel insecure. The reactions of consumers and investors in Europe or the United States are still difficult to assess. But one thing seems to be certain: There is no cause for optimistic growth prognoses.

The fear of crisis is spreading most rapidly in the United States where the stock market shock was longest lasting. Far more people than in the FRG, people hold shares on deposit there. And whoever has lost money on the stock market hesitates to purchase new goods. Whoever has financed his speculations with credits of up to 40 percent of its original collateral value must straighten out the finances before he goes on a buying spree again.

The real estate industry, previously quickly ready to build an apartment house without worrying about tenants beforehand, hesitates with new investments. Michael Otto, the FRG's biggest mail order house owner who is deeply involved in business with new shopping malls, will not proceed until he has leased out his future selling space.

They mumble in the prestigious clubs, among the Yuppies and among the so-called ordinary people that President Ronald Reagan must do something at long last. The catchwords of the budget deficit and the imbalance of foreign trade are topics of everyday conversation in New York, Chicago, and Los Angeles.

But what is Reagan supposed to do? If he reduces the budget deficit drastically, the loss of demand plunges the U.S. economy into a recession in a jiffy. If Washington continues to do nothing in the year preceding the presidential elections, the crisis of confidence will continue to worsen and destroy the last hopes for growth.

Bankers no longer dispute that a U.S. recession is possible. "All indicators now at my disposal," according to a recognized analyst of the Wall Street scene, "point to a recession." The cover page of the latest issue of the business publication FORTUNE read: "How to Prevent a New Depression." Two issues prior to Black Monday the cover page still promised hot investment tips.

A U.S. recession would also pull down Europe's economies, first of all export world champion Germany. Even now the horribly devalued dollar rate of exchange causes lasting insecurity in many directors offices.

Until a few weeks earlier the Germans had gotten along amazingly well with the radically devalued U.S. currency. Even at a rate of exchange of the U.S. currency of

about DM 1.80 to 1.90 during the first 9 months of 1987, the German exports with a plus of over 1 percent hardly surrendered any ground to foreign competitors.

The reason for that was that the German enterprises sell only about 15 percent of their exports in the so-called dollar area—in other words in the United States itself and in the other part of the American continent, in the OPEC countries and in South East Asia.

These countries have linked their currencies to the U.S. dollar, so that with a lower rate of exchange of the U.S. currency the German export to these U.S. dollar colonies is also made more difficult.

However, in the European countries, in which the Germans unload the by far largest part of their exports, the rate of exchange to the DM remains nearly unchanged. It is also favorable that Japan, the most dangerous competitor of the Germans on many markets, had to take an even stronger revaluation of its currency in relation to the dollar than the FRG.

But in many cases the Germans could hold on to their customers only by not raising their dollar prices so much as it would have been necessary to compensate for the exchange rate losses.

This applies especially to the German automobile industry, which like no other branch of industry in the FRG is dependent on export to the United States. Thus Daimler-Benz raised the price of its Mercedes 190 E 2.3 in seven steps since 1985 by a total of 25 percent to \$30,000. But at the same time the value of the DM in relation to the U.S. currency increased by nearly 100 percent since February 1985.

After the stock market crash and the dollar plunge of recent weeks the export prospects have now become even considerably bleaker. "We are going to see that the German and Japanese exporters will be under pressure more than ever to increase their prices," according to George Eads, chief economist of the Detroit auto giant General Motors, in an assessment of the growing problems of the competitors from overseas.

One of them has been caught, namely the Stuttgart Porsche AG. The sports car manufacturers, who sell 60 percent of their cars in the United States, suffered a 30 percent decline on their most important market in October. The firm announced last week that short-time work is planned. "The person who has lost a good deal of money in the stock market," in the opinion of Porsche spokesman Uwe Brodbeck, "does not buy an expensive car so easily even though he has money left over for that."

Porsche, with its strong dependence on the U.S. clientele, is an extreme case, the other manufacturers thus far got off lightly.

BMW boss Eberhard von Kuenheim, who has just under 25 percent of his cars shipped to the United States, deliberately demonstrates calmness. "We must adapt

ourselves to a dollar rate of exchange of DM 1.60 or even DM 1.50," the Munich car manufacturer announced last week, "and so set things up that we can profitably survive in doing so."

Only few of those managers who have many business dealings with dollar customers show that much self-confidence.

Exceedingly nervous are the German machine manufacturers who ship a great deal to the countries of the dollar area. As regards machine tools, which are also available in lesser quality from U.S. manufacturers, the prices in the meantime are more than 20 percent higher than the domestic products. It is then possible that even superior technology is no longer a convincing sales pitch.

"At some point in the dollar curve every investment in German machines becomes unprofitable," according to Frank Paetzold, the president of the Federation of German Machine and Installations Construction. "We are getting all the time closer to this point or we have already reached it."

As a consequence of the dollar slump the U.S. business transactions of the Airbus Industrie are completely uncertain. The European aircraft business trust had made much headway with American Airlines, the second largest U.S. airline. The talks have stopped.

The dollar plunge will even affect business with the Eastern world power. Firms such as Mannesmann or the installation builder SMS with their pipes and metallurgical plants in the Soviet Union do not have to be afraid of U.S. competition. But with the slump of the U.S. currency the Soviets are losing foreign currency income from oil and natural gas which are settled in dollars. They are then unavailable for payment of imports.

Of course there are also those who profit from the crisis. They are especially those firms which process imported raw materials. Metals and coffee, tobacco and cacao, yes even the coal sold by German mines to German steel-mills are traded on a dollar basis. All these materials were hardly ever as inexpensive as they are today.

Hans-Otto Wieschermann of Henkel is happy that "a not inconsiderable part of our raw materials are settled on a dollar basis." Wieschermann: "When purchasing, Henkel profits from the strong DM."

Those who have built or expanded manufacturing plants in the United States in recent years also remain quiet. Firms such as Siemens, Bayer or Hoechst supply the U.S. customers and some customers in other countries as far as possible from low-price country United States. Only the profits of the U.S. companies converted into DM are now worth less.

The majority of the enterprise managers has switched from the camp of optimistic business outlook to that of the skeptics.

Many entrepreneurs were especially alarmed over the fact that the consequences of the explosive mixture of stock exchange crash and dollar slump are so difficult to estimate. "Nobody can foresee," Klaus Richter, president of the Federal Association of the German Wholesale and Retail Trade is worried, "where we are really headed."

It will, trends in the economy are also facts, lead down the valley. Over 60 of the best known professional forecasters in the United States made a new prediction at the beginning of this month: They reduced their growth estimate for the U.S. economy from 2.8 percent to 1.9 percent.

Economic researchers in Great Britain and France corrected their predictions for 1988 by 0.5 to 1.2 growth percent downward. But "none of us really knows what will actually happen because we have never been here before," one of the U.S. forecasters, the Merrill Lynch expert Donald Straszheim, conceded.

And in Germany? Are the forecasts of 2 percent growth for next year still valid?

In spite of public protestations to the contrary, the Bonn managers of the economy, Stoltenberg and Bangemann, after the dollar plunge make preparations for a shrinking of economic growth. Whether and how they can do anything about it, the cabinet's economic policy leaders do not yet know.

Stoltenberg is determined to stick to his course of financial policy consolidation and for now he has the chancellor supporting him in that. The finance minister rejects heating up demand which goes beyond the tax reductions approved for 1988 and 1990. For a drastic additional indebtedness necessarily would be connected therewith.

But Stoltenberg knows that he comes under pressure internationally. He must make a German contribution towards overcoming the crisis if the Americans show further progress in the struggle against their budget deficit.

His formula: He bets completely on the German Federal Bank. The central bank is to keep the interest rates as low as possible even though the money supply grows faster than the capacity of the economy—as it has done for some time. The danger of inflationary price increases is estimated as slight by the finance minister.

Stoltenberg wants to pacify the Americans with this policy. A low interest rate in the FRG, the line of argumentation goes, is to make the indebtedness easier on the investors and the consumers and thus stimulate

the economy. In addition, the gap in the rate of interest to the higher U.S. interest rate is to be continued. The higher interest rates would assure that foreigners continue to invest money in dollars; the influx of capital would finance the U.S. deficits and stabilize the dollar rate of exchange.

The finance minister would have liked to demonstrate more clearly his good intentions with regard to monetary policy. At the latest session of the Central Bank Council on 5 November, however, he failed to propose a reduction of the discount rate, the most important prime rate. He was afraid of failing because of the resistance of Helmut Schlesinger, the deputy president of the German Federal Bank, and the conservative majority in the Central Bank Council.

Thus far this majority has blocked this request because it does not believe in the positive consequences for the economy and the rates of exchange but is afraid of inflationary effects. The finance minister had to be satisfied with a reduction of the less important interest rate for pledging of bills of exchange against grant of a loan and of the rate for loans on collateral.

Stoltenberg has stock answers to fend off more far-reaching U.S., French, and Japanese wishes: He has fulfilled his international obligations with tax relief of DM 14 billion in 1988 and an additional DM 20 billion in 1990. He said more is not possible but also not necessary. Moving up the 1990 tax reform, as demanded by the economics institutes, is not possible for reasons of time.

Since last Tuesday this polite reserve is controversial in the coalition. Led by former economics minister Otto Graf Lambsdorff, several FDP members in the session of the parliamentary group demanded deeds for stimulating demand in the FRG. Otherwise a setback in the economic activity is unavoidable, they said.

The FDP deputies even discussed a proposal made by Karl Schiller in a SPIEGEL interview. The former SPD economics minister had proposed strengthening the mass purchasing power in the FRG by a linear tax reduction according to the law to Promote Economic Stability and Growth.

A few weeks ago this proposal to stimulate the economy with money for the customers instead of the enterprises would have met with embittered ideological rejection. But now even Graf Lambsdorff announced: "I can subscribe to that from the beginning to the end."

Basically that is an admission that the existing doctrine of the official government economic policy has failed. High profits lead to many investments, to more economic growth and finally to the reduction of unemployment, that was the creed of the 1982 CDU/CSU-FDP coalition. After 5 years under favorable world economic conditions with a world economy powered by the United States, the balance sheet looks different.

"The fact that the clearly improved framework conditions in recent years, especially the healthy development of profits for the enterprises accompanied by a strengthening of the income of the general population as a result of the taxation policy, have led only to a moderate growth has not been considered possible by anyone." This sentence is included in a memorandum for Economics Minister Bangemann. The skeptical assessment comes from "representatives from industry and science." The civil service representative of the minister had brought it back to Bonn from an internal economic conference of the Ifo Institute in Munich in early November.

At this conference—according to the memorandum—all had agreed: No further stimulation of growth is to be expected from an expansion of the money supply, from lower interest rates. The past, the memorandum said, has shown that enterprises and consumers had not completely utilized the existing liquidity. Rather because of uncertainty about the future much liquid money was kept in the safes. The fiscal policy is now questioned.

The belief in the effectiveness of a tax reform ahead of time or of a tax reduction, as suggested by Schiller, is also not great. A considerable part of the tax reduction would land in the accounts of the wealthy and will not be spent but saved "without triggering any significant stimulation of growth." Amazingly enough for "economy and science" that is how the argumentation suddenly goes.

In amazement Bangemann's official representative noted: "Most representatives of industry more or less clearly asked whether or not, as part of the fiscal policy, other instruments, too, should be included in the considerations. One representative of industry (chemistry) concretely talked about government spending programs.

The fact that such proposals come from representatives of entrepreneurs shows the nervousness triggered by the stock market crash in the executive offices. In these circles spending programs have thus far been regarded as characteristics of socialist mismanagement which merely trigger short-lived results and lead to irresponsible national indebtedness.

As late as a few weeks ago the CDU social committees had been brushed off by FDP and CDU/CSU ministers because they had proposed a DM 10 billion program for environmental and other structural investments to fight unemployment. Now experts in official positions in Bonn already ask themselves if it is not appalling that the municipalities are unable to implement sensible investment plans because of a lack of funds.

The pressure to do something to save the domestic economy will become even stronger when the effects of the dollar plunge and of the stock market crash leave their marks in the statistics. Even now a further increase in unemployment to over 2.3 million in 1988 is regarded as a certainty.

But the finance minister sticks to his guns; he bets on the principle of hope. Stoltenberg, seriously hurt by the Barschel scandal, wants to live off his reputation as the one who rehabilitated the budget, at least for a little while longer.

That is difficult enough even without additional expenditure of billions to foster mass purchasing power. The finance chief had to increase net borrowing considerably even in 1987. Next year Stoltenberg will be able to keep new indebtedness below DM 30 billion, a magical figure for him, only by all kinds of tricks.

Stoltenberg did not cut a good figure in the Bonn budget committee on Wednesday: He included the German Federal Bank profit at DM 6 billion but everybody knew that a few billion DM less will be transferred from Frankfurt. The additional requirement of the FRG armed forces is agreed. But the allegedly so sound financial expert provided only evasive answers in response to questions.

Stoltenberg must spend at least an additional DM 4 billion for Europe. To make up for this gap, consumption taxes, e.g., mineral-oil and tobacco taxes, are to be raised, Stoltenberg stated in the budget committee. But this intention does not fit at all into the economic picture; it weakens demand instead of strengthening it. At the same time when Stoltenberg discussed this plan in parliament, Bangemann demanded that the government renounce in 1988 any increase of consumption taxes in view of the unstable economy.

Stoltenberg has acquiesced in one thing. He wants to replace the billions that will definitely be missing on the revenue side on account of the sluggish economy and in the absence of the German Federal Bank profit by new debts and not balance these amounts by economizing. But he continues to struggle decidedly against borrowing additional money to prevent a recession.

It is predictable that this will not be enough for the Americans; thus chances are good that the transatlantic row over economic policy will continue. In the United States the voices of those are increasing who demand that the United States should look out only for its own advantage without regard for the trade partners.

An entirely sensible economist like former presidential adviser Martin Feldstein in all seriousness recommended last week: "The United States ought to end in a clear but friendly manner the international coordination of the macroeconomic policy."

In other words withdrawal to America? Free-for-all? That is the way things continued in 1929 after Black Friday deeper and deeper into disaster.

The fear of a repetition of the biggest economic catastrophe of modern times is not averted. And economic anxieties have a way of contributing significantly to the

happening of what was feared. The players in the executive offices and in the stock market halls continue to wait for the politicians, in Europe, as well as in the United States and in Japan.

The board member of a Frankfurt big banking house says: "At long last they should stop their circus."

Hamburg Bank Director Interviewed
36200032 Hamburg DER SPIEGEL in German
16 Nov 1987 pp 25-26

[DER SPIEGEL interview with Wilhelm Noelling, Hamburg Land Central Bank Chief: "The Government Will Have to Make a Move"; date and place not indicated]

[Text] SPIEGEL: The stock market is jumping wildly up and down, the dollar has slipped to a low that had been considered hardly possible. What does that signify for the world economy?

[Answer] The dollar is down too far. But the adjustments on the stock market had to happen. The market boom, especially in the United States and in Japan, has been self-intensifying and self-feeding without any relationship to the real productive forces. Pure speculation, the greed for easy profits boosted the prices all the time. Let us hope the lesson has been somewhat useful.

[Question] Have the stock market prices now returned to the level where they belong and do the citizens not have to worry about the further economic development?

[Answer] No, no. The economic situation in the United States and in the European countries had not been satisfactory even prior to the price deterioration on the stock and the foreign-exchange markets. The forces for growth declined year by year and the turbulence of recent weeks will further weaken the economy in the United States and in the FRG.

[Question] But Economics Minister Bangemann solemnly declared that the German economy "is in a very good constitution."

[Answer] I wondered about this sentence. Has the growing unemployment been overlooked?

[Question] Recent weeks have shown that the markets cannot be pacified by the platitudes of politicians alone. Isn't it about time for actions?

[Answer] At first the governments probably felt that the markets would quickly calm down by themselves after such drastic correction and that sunshine would prevail again soon. I have been unable to share this belief because of the force of the events. After all we have experienced self-reinforcing downtrend processes into this week.

[Question] Thus, what is to be done?

[Answer] The biggest problem appears to me to be the fact that worldwide those responsible for economic policy are either too unwilling or too weak to make decisions. Thus far it has not been possible to conceive the economic-policy measures necessary and to coordinate them. Prior to that I did not believe this policy deficiency to be possible. Perhaps what is lacking is merely the awareness of the problem. At any rate everyone only seems to wait for the other to take the first step.

[Question] Thus the Americans are waiting for the Germans to stimulate their economy and the latter on their part say: First straighten out your budget.

[Answer] Correct. One side says the German Federal Bank should lead the way with cuts in interest rates. And the German Federal Bank could be of the opinion that nothing helps if the financial policymakers in Washington, London, Bonn or wherever else do not join in. Obviously the courage is lacking there to take the initiative and to force the others to follow suit.

[Question] Why is it that the German Federal Bank does not go ahead and provide a more recognizable signal than the latest reduction of the rate for loans on collateral?

[Answer] The German Federal Bank has already reacted twice. The first time it immediately made the open market transactions slightly less expensive, which contributed to the calming of the markets....

[Question] ...It was possible to observe in the stock exchanges how calmly things were happening in recent weeks.

[Answer] The first measure was insufficient. That is correct. Therefore on 5 November we noticeably reduced the rate for loans on collateral and the pledging of bills of exchange against grant of a loan.

[Question] A reduction of the discount rate, in other words of the prime rate for short-term loans, would be a far more recognizable signal. Why is it that the present discount rate of 3 percent is sacrosanct for the German Federal Bank?

[Answer] We did have a lower rate once before. In 1959 it was 2 and 3/4 percent for 9 months. In the end the Central Bank Council felt that the approved loosening of the monetary policy could suffice as a contribution to the calming of the markets.

[Question] The Central Bank Council was probably quite wrong with this assessment, for the nervousness of the investors rather increased.

[Answer] Yes, not least we had to act more or less alone. It is an open question whether or not a lower discount rate would have been psychologically more correct.

[Question] At a time of much cheaper imports and declining demand, is the Central Bank Council worried over lower interest rates heating up the inflation?

[Answer] I do not at all share the worry that we are faced with an inflationary development. It is true, the money supply has increased more quickly than planned for some time. But for the life of me no inflationary potentials can be derived therefrom in view of our situation as to costs, the weak overall demand and the real effects of the stock market storm to be expected.

[Question] What is it that the Federal government ought to do so that the economy does not slide into a recession?

[Answer] The government has committed itself quite some time ago as part of the tax reform to lower taxes starting in January 1988 and then again starting in January 1990. It wants to stick to that. I believe that this unilateral engagement for such a long period is the biggest obstacle to the ability to react appropriately to the new situation. Once the need for action has been generally recognized the government will have to make a move anyhow. Let us hope it will not be too late then.

[Question] Since the government does not want to lower the taxes more quickly, would it not be able to act on the expenditure side?

[Answer] Here, too, the government has made a unilateral commitment: It has declared that the budget deficit must not be greater than 3 percent of the GNP. What is more important is the fact that, together with many others the government has disparaged expenditure programs so much that they would now come upon a public that is factually unprepared and ideologically distorted.

[Question] Is that the reason why the public cannot be burdened with increased government spending?

[Answer] The requirement for government spending plans is economically correct, for they can, when action takes place in time, have a more reliable effect on economic circulation than lower taxes—by which possibly a lot is saved. Therefore it is high time for the government to rethink on this point, too, and to free itself from the self-imposed chains. The federal finance minister cannot avoid forking out something with regard to the taxes as well as the government investment expenditures. The higher government deficits necessary for these purposes must, however, be psychologically supported.

[Question] Do you still consider the experts' 2-percent growth forecast for next year as realistic?

[Answer] I would have found it to be a better course to simply suspend the forecasts. Anyone who dares make a prediction in times of wide swings of stock and foreign exchange prices really has only himself to blame. To

adhere to predictions which were developed under completely different circumstances is not only factually but also politically problematical. For under those circumstances it is easier to fool the public to think that no further action has to be taken with regard to economic policy.

12356

Firms Hope INF Agreement Will Help Ease Cocom Restrictions

36200034 Duesseldorf *HANDELSBLATT* in German
27 Nov 87 p 16

[Article: "Bonn Wants To Modify Cocom List: 'Higher Fences Around Fewer Products'"]

[Text] Bonn, Thursday 26 Nov 1987—The missile summit meeting in Washington is causing German enterprises to expect that there will soon be a signal to reduce trade limitations with the East. The disarmament initiatives of the superpowers, they speculate, could lead to an easing of the Cocom [Coordinating Committee for East-West Trade Policy] regulations. Bonn as well wants a "relaxation."

One of the most prominent advocates of the desired liberalization is F. Wilhelm Christians, spokesman for the board of Deutsche Bank. Primarily in view of Gorbachev's glasnost policy he strongly favors a reform of the Cocom list, a complicated table of strategically important goods, which may not be exported to East bloc countries: The danger that Moscow might misuse the highly sensitive technical goods for armament purposes is too great for the NATO states.

Meanwhile, ministry officials in Bonn want it known, Christians is mentioned in the East as the most important German advocate of a correction of the—in his opinion—"outdated and elastically interpretable" Cocom list. Negotiation participants from East Berlin described the set of agreements to officials from the Ministry for Economic Affairs as "lunacy" and quite naturally ascribed the quote to the prominent state's witness from Duesseldorf.

Meanwhile, Christians—here as well as over there—recommends patience; the process of rapprochement must take its time. But to him there is "no question that the list represents a chronic nuisance to Europe." In order to protect its interests the West must soon reach a conclusion about a reform of the list.

Hopes for a Reduction of Trade Barriers

The banker's criticism, expressed even before the end of the year following the International Peace Meeting in Moscow, is currently of particular interest. For with the agreement on the elimination of intermediate nuclear missiles and with the imminent summit meeting between the superpowers in Washington, German

exporters are also hoping for a signal announcing a soon-to-be-realized elimination of trade barriers. "There are companies in Germany," according to a Bonn official, "which place major hopes on the new relationship between Washington and Moscow."

For good reason, because trade with the East is diminishing. In the first 6 months this share of the foreign trade slipped from 5 to 4.3 percent. The Eastern committee of the German economy gloomily predicts that the times of uninterrupted growth are over for the time being. The reason: financial bottlenecks in most of the state-trading countries.

However, the East will pay any price for advanced Western technology, as the Federal Ministry for Economic Affairs knows. But since the Western nations must fear that the delivered product—primarily highly developed electronics—could turn against them in times of crisis, goods of strategic importance are taboo for the East. The 16 nations united into the Coordinating Committee for East-West Trade Policy watch more or less strictly over adherence to their security interests.

A Full-Sized Encyclopedia of Technology

At present, as the Bonn ministry knows, even a further rapprochement of the superpowers cannot change any of that. Despite the progress that has been achieved, no effects are expected anytime soon on the Cocom agreements. "Spectacular results cannot be achieved in the near future," an observer says, curbing premature optimism.

Nevertheless, the "list," which in 40 years has grown into an encyclopedia that is impenetrable to outsiders and understandable even to experts only in "lucid moments," in fact needs to be overhauled, in the opinion of the Federal Government and its European partners. Even the Americans unequivocally demand relaxation and revision.

A visible consequence: In their Paris headquarters Cocom negotiators changed the formerly periodic examination of the list to permanent review. This is how they intend to keep in touch with the rapid technological progress. They apply the red pencil primarily where the East, in their opinion, has long since reached Western industrial standards, and comparable products from high-tech countries such as the United States, Japan and Germany no longer promise the Soviets an incalculable tie to Western know-how. Further, the sales ban always seems meaningless when the East is able to supply itself with embargoed goods on other markets not subject to Cocom controls.

The objective of the action is to reduce the list to a firm core of highly sensitive technology while simultaneously improving control. Says a Bonn official: "We want higher fences around fewer products."

To be sure, the Federal Government, according to its own evaluation, forms a "basic consensus" with industry about the continuing necessity of export controls for strategically significant technology. But in the Cocom organization the partners have difficulty realizing the self-imposed relaxation regimen in a disciplined manner: According to the all-dominating Americans, the matter must be approached only with the utmost caution.

They do not always take their own intentions to heart. In September, when an open dispute over responsibility erupted between the Pentagon and the U. S. Commerce Ministry over the sale of Hitachi computers through National Semiconductor Corp. to the Hamburg firm of Transnautic, 51 percent of which is controlled by the Soviets, the French—quite unusually—reacted with noticeable distaste: The Americans should please do their quarreling in quiet. The subject matter is not suitable for loud exchanges of blows in public.

The Americans' reaction was certainly understandable: the Toshiba case had caused them extreme shock. But the way the outraged U. S. strategists handled the murky affair of Toshiba Machines, a subsidiary of Toshiba (the Soviet military had long been using milling machines from Japan for the construction of silent submarines), also caused the Europeans to become irritated.

Warning Against Illusions

Efforts to exclude the Japanese group entirely from the U. S. market and in the future as well reply to violations of Cocom regulations with trade-policy sanctions, are not to their taste. Instead of stiff punitive actions after the event, they demand more effective controls in advance.

In view of these examples, even insecure Cocom experts in Bonn now harbor no illusions over the way a further opening process could be promoted: "In tough detail work and with much patience." Potential effects of Gorbachev's glasnost and perestroika are purely speculative.

No wonder that it is already considered a success that the Japanese, discredited over the Toshiba debacle, no longer treat the Cocom meetings in Paris casually, as they used to before, but regularly march up in full delegation strength. A Bonn negotiator states with satisfaction: "At least the case has achieved that: They may yet develop into an exemplary Cocom country."

11949

PORTUGAL

Comments on Economic Agreement With USSR
35420027a Lisbon DIARIO DE NOTICIAS
in Portuguese 28 Nov 87 p 2

[Article: "Deal With Overall Worth of 12 Million Practically Concluded In Moscow"]

[Text] A deal with the overall value of 12 million contos was practically concluded between Portugal and the USSR during the course of the visit to Moscow by Mario Soares.

That is the amount that will be reached by the installation of an automobile body plant in the USSR and the purchase by that country of railway cars for transporting automobiles from METALSINES.

Negotiations should have come to good conclusion (a well-informed source told DIARIO DE NOTICIAS) during a meeting between Minister of Trade Ferreira do Amaral and Soviet authorities because of the system of payments in petroleum that Portugal is willing to accept. The minister himself admitted during a press conference that a "stable price" had been established for the purchase of petroleum, speaking of a sum close to 4 million contos for 1988.

This was the principal question that blocked the majority of contracts between Portuguese businessmen and the USSR because the authorities of that country have always used that product as a medium of exchange in their business deals. In this fashion the Soviet managed to balance their trade exchanges with the majority of countries and avoid high foreign trade deficits. Although the USSR is willing to intensify trade with other countries and give greater negotiating autonomy to the enterprises within the framework of the reform process, the fact that the ruble is nonconvertible has remained an obstacle difficult to surmount.

That is the reason for a certain dissatisfaction among the business delegation that accompanied the president of the republic to Moscow, dissatisfaction that also echoed by Minister of Trade and Tourism Ferreira do Amaral.

In their majority the businessmen saw their attempts at establishing joint ventures with the Soviets thwarted even after they received the green light for the purchase of petroleum from Lisbon.

There are two reasons for this: Of course the amount of petroleum to be purchased from the USSR does not cover all the deals under way, and the principle of reinvesting a large part of profits in Soviet enterprises within the lines established for the joint venture system has discouraged some businessmen.

Stores in the USSR

Even so (still according to the same source) several operations could be concluded soon. Such is the case of the installation of several Portuguese stores (no longer just in Moscow but also in other Soviet cities), that would handle products native to our country, in exchange for a Soviet store in Lisbon.

The green light was also given to the purchase of more textiles (the chief of Maconde was not so optimistic, saying to DIARIO DE NOTICIAS that some difficulties remain to be smoothed over in order for the deal to be profitable) and more shoes.

Portugal also submitted its bid for the construction of a network of slaughter houses, members of the party insisting that it was a deal proposed with the idea of establishing tripartite joint ventures in which the third country would almost always be an African country. Portuguese authorities requested some time for studying this hypothesis and if necessary they would submit it for the evaluation by the mixed commission created in the economic agreement just concluded.

The formation of a mixed enterprise for commercial operations between Portugal and the USSR would also be resolved in this forum, a proposal in which the Portuguese side appears visibly interested and which therefore has a good chance of becoming a reality.

Gas by 1992

While petroleum appears as the pivot for all this complicated trade network, other state to state operations are on the way to becoming effective. Such is the case of natural gas, which our country has negotiated on "good conditions," (the description is that of a member of the party) and which will go into effect in 1992 when the Siberian gas pipeline becomes fully operational. According to our sources, in that year Portugal will purchase 2 million contos worth of gas from the Soviet Union.

Long before that date, the circulation in our country of Soviet-made automobiles is foreseen. They will be imported at an annual average of nearly 2,000 vehicles.

08908/09599

Budget Figures Show Deficit Above Projections

35420027b Lisbon SEMANARIO in Portuguese
21 Nov 87 p 3

[Article by Antonio Camoes: "Budget-Deficit of 700 Million Higher Than That Announced by Government"]

[Text] On Monday the 16th, the government submitted the proposed Stated Budget Law for 1988 to the Assembly of the Republic. The legal deadline expired on that day for the delivery to the Parliament of the most important instrument of the government's economic policy, which under the terms of the law is supposed to be delivered 90 days after the swearing in of the Executive.

On that same day, in a press conference, the minister of finance called the state budget for 1988 the best of the budgets submitted by the two governments of Cavaco Silva. At the same time, Miguel Cadilhe announced that it was a restrictive budget (not too restrictive) so as to maintain "the strategy of controlled progress, preventing the economy from undergoing excesses of expansion."

As in the last two budgets of the state prepared by the office of Cavaco Silva, the preparation of the state budget for 1988 is based on the maximum deficit bearable by the Portuguese economy (starting deficit), and after a forecast of revenues, the government will perform the gymnastics on the side of expenditures in such a way as to accommodate them to the values found for the two items previously mentioned.

The overall deficit submitted in the proposed law for the state budget in 1988 is 471 million contos. However, that amount does not correspond to the actual deficit.

To the deficit of 471 million contos the government should have added another 260 million contos corresponding to the assumption of debts of the former Fund for Supplies and Fund for the Promotion of Housing, Emergency Agricultural Credit, "arrears" for decolonization, and the former Institute of Oils and Oleaginous Products (IAPO).

The government believes that the total of those debts is a "burden of the past" and for that reason should be transferred to the direct public debt, which will thus reach 4.5 billion contos.

As we found out from a reliable source, the president of the republic himself, Mario Soares, will ask Cavaco Silva whether the deficit submitted in the proposed state budget law for 1988 is correct, since his advisers tell him that the state budget for 1988 is over 700 million contos.

Pursuant to the document submitted to the Assembly of the Republic, the gross needs for financing of the 1988 state budget reach 831 million contos (nearly 14.8 percent of the Gross Domestic Product), of which 279.7 million are for amortization of the foreign and domestic debt, 471 million for the state budget deficit and 80 million for current operations.

To these sums could also be added the needs related to the use of EEC funds, whose overall amounts are only partly known.

The costs of the public debt service will rise to 756.4 million contos, of which 476.4 million are for interest and 279.7 for amortization.

Even taking into account the deficit submitted in the 1988 state budget (471 million contos), it still represents an increase of 33 million compared to the deficit foreseen for next year in the Program of Structural Correction of the Foreign Deficit and Unemployment (PCE-DED).

In the viewpoint of the government, revenues forecast in the 1988 state budget will have an extremely important role in the maintenance of the strategy of controlled growth of the Portuguese economy. The increase of 15.6 percent in tax receipts for 1988 compared to the actual

revenues the executive branch expects to receive this year, in the opinion of Miguel Cadilhe, has the objective of moderating the growth of domestic demand.

To slow down private consumption (which in 1987 grew to nearly 2 percent above the Executive Office forecasts), the government stipulates an increase of 17.1 percent in the 1988 state budget compared to that of last year.

In indirect taxes, tax stamps are the revenues that have a more accentuated increase—61 percent by comparison with 1987. They are followed by the seal tax, whose forecast revenues for 1988 should be around 114 million contos—an increase of 50 percent.

Through the Value Added Tax [VAT], the government expects to collect 355 million contos (an increase of 15.3 percent). The reasons for this increase are explained by the government: Nominal growth of consumption of 9 percent; increases of revenues of 2.5 million contos from the integration to the added tax of durable consumer goods; the addition of 3 million from the 8 percent table of taxes on tractors and agricultural implements; an increase of 0.8 million in the normal rates on the exercise of the lawyer's profession; increase of 13 million because of the increase in the normal rate from 16 to 17 percent. The specific tax on the consumption of tobacco is increased by 10 percent and the "ad valorem" tax is increased from 53 to 54 percent, which will raise the revenues from the tax on the consumption of tobacco to 55 million contos. Revenues from the tax on petroleum products (ISP) should reach 166 million contos, 10.6 percent more than in 1987. Since the ISP on gasoline will

increase from 72 to 77 escudos, and since forecasts on petroleum prices point toward stabilization next year, it is to be expected that the price of premium gasoline will increase to 124 contos.


Pursuant to the 1988 state budget proposal, revenues from direct taxes should reach 388.5 contos (with Government Operations included).

The evolution of economic activity in 1987 and the change of tax benefits contained in the budget proposal are the main factors that will make revenues from Industrial Taxes the ones that will increase the most (18.7 percent) among direct taxes. Overall, the Complementary Tax will yield 35.5 million contos, an increase of 5.5 million over those of the current year.

The state budget for 1988 reveals an effective effort at containing expenditures. These, according to the document now submitted by the government, will have a growth of 280.5 million contos by comparison with the 1987 budget.

The proposed 1988 state budget law also foresees that gross investment by companies and individual will reach 1,242,000,000 contos, and that savings will be 1,677,000,000 million contos. As for investment by the Public Administrative Sector through PIDAC, the government foresees that it will reach 175 million contos. Public Administrative Sector savings will be negative by 325 million contos.

08908/09599



LOS PROBLEMAS DE CASA			
	1984	1985	1986
Facturación (1)	41.279	45.670	41.677
Cartera de pedidos (2)	59.885	77.891	88.183
Costes salariales (3)	20.609	23.799	28.388
Deudas a corto (4)	33.685	44.223	49.520
Deudas a medio y largo plazo (5)	20.570	26.162	42.497
Resultados (6)	-270	1.639	-8.709

(7) En millones de pesetas

Key:

1. Billing
2. Backlog of Orders
3. Salary Costs
4. Short-Term Debts
5. Medium and Long-Term Debts
6. Results
7. in millions of pesetas

SPAIN

Plans To Improve CASA Financial Situation

35480037b Madrid TIEMPO in Spanish
16 Nov 87 p 133

[Text] Aeronautical Constructions, Inc [CASA] wants to emerge from the crisis with a viability plan that will change the negative trend in the company's balance sheets. The second step would come with an expansion of capital to which INI [National Institute of Industry] wants all the associates to contribute.

The firm Aeronautical Constructions, Inc, intends to initiate a viability plan aimed at extricating the company headed by Javier Alvarez Vara from the crisis in which it is submerged, and which has caused, among other effects, the stoppage of the deliveries of the A-320 components to Airbus.

This viability plan, which will be totally organized at the beginning of next year, is based on a study assigned by the company to the Roland Berger consulting firm, specializing in areas related to the organization of work and production. In this report, a diagnosis is made of the causes for the current predicament of Aeronautical Constructions, in which, among other matters, there is a

positive assessment of the technology used by the company, but emphasis is placed on the "meager industrial discipline" existing in the firm.

The serious situation being experienced by the state aeronautics enterprise has hastened this decision, which has begun to be implemented in one of its features. As this weekly publication learned, some changes have been made in personnel holding positions of responsibility in the company, which could have immediate repercussions on the firm's progress.

Capital Expansion

The National Institute of Industry, which owns 72 percent of the firm's capital, wants to carry out an expansion of capital in CASA, to which the other associates sharing the rest of its capital, such as Northrop, which holds 13 percent, or the German MBB, which has 11 percent, would also contribute.

With the enactment of the viability plan which, according to officials from the National Institute of Industry, will unblock the company's situation, CASA's main shareholder intends to demonstrate to its foreign associates the potential of the firm and, hence, the need for them to contribute to the capital expansion.

Those Interested in the Expansion

This was one of the topics discussed at a meeting held on 3 November at the headquarters of the National Institute of Industry, among high-level board members of the state holding company and representatives of its foreign stockholders, who figure in CASA's capital.

As this weekly publication has learned, at this meeting the representatives of the foreign aeronautical firms which are partners of INI in CASA showed an interest, in view of the evidence of good results from the viability plan, in subscribing their share of capital in connection with the expansion.

The capital expansion, which will be implemented during the first half of 1988, specifically, at the end of the first half of the year, has not yet been quantified in monetary terms.

The amount will depend on how the figures appear in the account of the firm's profits and losses during the remainder of the year, and the beginning of next year.

Poor Results

At present, the predictions for the close of this fiscal year could not be worse. Sales will remain far from the 72 billion forecast a year ago, and the losses could exceed 10 billion pesetas. There is also the burden of the growing debt, which rose from 53 billion in 1984 to over 90 billion at the end of 1986. As if that were not enough, the current peseta/dollar parity will contribute to a worsening of the situation.

In the industrial area, the most pressing problem now being faced by the company headed by Javier Alvarez Vara is the delay in the deliveries of the tail stabilizers that the Spanish company makes for the A-320.

This lag, which has its origin in the troubled labor atmosphere that CASA is undergoing, has caused five A-320 aircraft to be parked at the Airbus hangars in Toulouse, waiting for the arrival of the Spanish parts, which cannot be delivered to the clients.

The officials of the Airbus consortium have on several occasions warned CASA of the seriousness of these delays, which will be reflected in the consortium's accounts; although they have expressed a desire to have CASA continue manufacturing these parts, and hence the specter of the Spanish company's departure from the European consortium appears to have been dispelled.

For the present, this participation in Airbus is essential for the Spanish firm; because it accounts for over a fifth of the annual billing.

This is a very important share, which will increase with the new Airbus programs for the A-330 and A-340.

2909

SWEDEN

U.S., EC Market Penetration Drives International Takeovers

36200033 Frankfurt/Main FRANKFURTER
RUNDSCHAU in German 25 Nov 87 p 9

[Article by Hannes Gamillscheg: "Swedish Enterprises Are Tops in the World As Buyers: Asea's Coup With BBC Is Only a Link in a Long Chain/Direction of Thrust Is the EEC and Recently the United States as Well"]

[Text] Curt Nicolin glances across the packed room. "So who rejects the proposal," asks the chairman of the board of the Swedish electric concern Asea. He had just formally proposed to the meeting of shareholders that Asea merge with the Swiss dream partner BBC. Only Bengt Goeran Jansson, the representative of the "People's Movement Against Nuclear Power," which has bought itself a little insight into the deals thanks to its five shares of Asea, raised his hand. "So the proposal is accepted?" Nicolin went on to ask. He heard a loud "yes" from 1,199 mouths in the hall occupied by 1,200 shareholders. With 19,685,580 votes against 5, the special general meeting in the Swedish city of Vaesteraas had approved the merger.

Thus, Asea, the more than 100-year-old showpiece of Swedish engineering ability, has finally become an international giant. Even before the marriage of elephants, company president Percy Barnevik had given the enterprise new blood through acquisitions. He started by sweeping clean the competing market in Sweden. He then served himself in the neighboring countries before preparing to make the big leap with BBC. The expansion is rounded out by the recently acquired companies Stroemberg (Finland) and Elektrisk Bureau (Norway).

The Swedish are coming. Asea is no exception. The domestic market has become too small for more and more large concerns and the slow growth in the export markets has become more and more uncertain and troublesome. "Only large volumes of orders and large market shares now count in the saturated lines in which most of our concerns are working," says Thomas Hagdahl, the head of the trade department of the association of manufacturers. Thus, the Swedish are choosing the other strategy: they buy competitors. Asea, Ericsson and Atlas Copco, Electrolux, SKF and Swedish Match—little Sweden with its 8 million inhabitants harbors an impressive number of multinational concerns and today just under two dozen Swedish enterprises employ more people abroad than at home.

Hagdahl is convinced that this trend is becoming even stronger. "That is simply necessary to be able to survive in branches in which the international competitors are much larger. We have never been able to depend upon a

large and stable domestic market." The fact that Sweden's most important trade partners—the FRG, Great Britain and Denmark—belong to the EEC but it does not makes the search for enterprises with access to the Common Market even more urgent. "If Sweden does not want to join the EEC as a nation, Swedish industry must do this on their own if it wants to survive," says Peter Wallenberg, chairman of the manufacturers' association and boss of the "Wallenberg clan," Sweden's most powerful economic group.

The fact that today Sweden is already closely linked with the EEC—Minister of Foreign Trade Anita Gradin calls it a "marriage without a marriage certificate"—is not enough for industry. When the internal EEC market becomes a reality at the beginning of the 1990's, Swedish firms want to have a foot in the door, which threatens to be closed to outsiders. With branches in the EEC area, Europe's largest market remains open. Thus, BBC's strong position in the FRG was the most important argument for Percy Barnevik when he pushed through the merger.

The fact that the two partners are each taking over 50 percent of the product of the merger Asea-Brown Boveri is not typical for the international commitment of the Swedish. They usually do not act as partners but as buyers. The strategy for their buying mania was developed by Hans Werthen, who became head of the Electrolux concern 20 years ago. With Werthen in charge, Electrolux became Europe's leading manufacturer of household appliances. Werthen's basic concept was simple. "We are working in a branch that is largely saturated," he recognized. The times in which the modernization of households automatically guaranteed growing sales are over. Whoever wants to become larger must buy up other firms. Electrolux snatched up 75 companies during the 1980's.

Buy up, gut and shed: that is Werthen's successful concept copied by other firms. The palette of goods of the envisioned purchase must be a useful supplement to one's own offer. It must be strong in those markets in which Swedish companies have a hard time. The EEC area is especially in demand. In view of the increasing protectionist trends in the United States, they are also glancing more and more across the big pond.

Having made an offer to the potential partner, who is generally in financial distress, an offer that it cannot resist—after years of high net profits, Swedish firms are in a position to outbid most competitors—then begins the second phase of the deal. The Swedish parent concern takes the best from the new subsidiary, swallows up this company, and sheds those branches that do not correspond to its own production concept. That is called "rationalization" and promises made before the "marriage" to preserve jobs are no longer worth much in this phase.

For the parent firm, on the other hand, the "winding up phase" can again prove to be extremely lucrative. Even during the search for possible victims, shrewd buyers put particular value on possible dormant assets that can be awakened and disposed of profitably. The penicillin manufacturer Fermenta, for example, was characterized during its short high-altitude flight by the fact that it sometimes collected more for the remains of ingested and gutted firms that Fermenta itself once paid for the entire enterprise.

Not least, however, the Swedish are acquiring know-how. "One of the reasons for the purchase of foreign firms is access to the research work of other countries," stresses the national economist Maria Hedvall, who scientifically illuminated the deals with foreign firms. "Another is the acquisition of knowledge about local markets that one does not personally have." Hedvall characterized the Swedish thrust in the international markets as "extraordinarily aggressive." The researcher thinks that they learned how to reorganize through Electrolux. The model is the way in which Werthen transformed the troubled Zanussi concern in Italy into a flourishing enterprise through drastic production cuts and layoffs, which could never have been done in Sweden on account of the law on codetermination and the well-anchored influence of the labor unions.

Thus, with annual sales of DM15 billion, Electrolux is "Swedish master" in the acquisition of foreign firms. The balance shows 75 purchases and 10 sales during the 1980's, a tripling of sales and 25 percent more employees. To be sure, almost 100,000 of the 128,000 people work outside national boundaries. Electrolux acquired Zanussi for 2 billion kronor and the year before it bought the American household appliance concern White for 5 billion. Prior to the Asea-BBC merger, that was largest foreign deal of a Swedish company and even made Electrolux's purchases of Thorn Emi in England and Zanker in the FRG seem like small fish.

Electrolux, which, like Asea, also belong to the Wallenberg sphere of interests, has had many emulating it. Swedish Match, the match company rich in tradition—also a "Wallenberg-firm"—did not let the declining use of matches deter it from purchasing its main English competitor Wilkinson Sword. Swedish Match now controls 80 percent of the world match market. With a flourishing razor blade production, Wilkinson also opened up a new market for the Swedish. Since Swedish Match had plunged into floor coverings, it acquired the German company Pegulan and immediately became number two worldwide in this branch as well.

Ericsson had initially received a bloody nose in its drive for international markets. The computer branch "Information Systems" was in the red and Ericsson suffered a debacle in the New York Stock Exchange. But then the telecommunications company, which also belongs to the

Wallenberg group, secured for itself in hard competition with Siemens and Philips the offered 19.9 percent share of the French telephone company CGCT.

The Swedish are coming: the pharmaceuticals company Pharmacia acquired the American contact lens manufacturer Intermedic. The chemical company Trelleborg, known to be especially eager to buy, bought, among others, its U.S. competitor Alis-Chambers, and Atlas Copco, leading in compressed-air technology, implanted a leg to stand on abroad through the takeover of Chicago Pneumatic. Gambro took care of its chief competitor in the field of kidney dialysis, Hospal from Switzerland, by pocketing it. Skane-Gripen, undergoing growth worldwide, recently acquired the German kitchen manufacturer Poggenpohl. And Volvo, Sweden's largest industrial concern, dared the leap over the Atlantic, as the Goeteborger enterprise entered into cooperation with General Motors to form a company that is to participate in the North American truck market.

Volvo, of course, is also evidence that the attempt to gain new markets with the help of acquisitions and mergers can also backfire. The cooperation with the Dutch concern DAF was a failure and several attempts to extend its

production program through international participations remained largely unsuccessful. Volvo continues to owe its high profits to the passenger cars of the upper price class.

But the infrequent failures cannot curb the inclination of the large Swedish concerns to buy. Only British, Canadian, Japanese and West German companies have made more acquisitions in the United States in recent years than the little Swedes. According to a statement of the British trade journal *Acquisition Monthly*, only the British and Americans acquired more companies in the FRG than the Swedish. In the years 1984 through 1986, 41 German firms went over to Swedish hands.

"The acquisitions did not involve companies that were sold at give-away prices. The successes of the large Swedish companies are based on the fact that they are willing to pay more than others," stressed Per Afrell, market commentator of the newspaper *Dagens Nyheter*.

SPAIN

Poll Reveals Low Level of Popular Satisfaction

35480035 Madrid PANORAMA in Spanish
2 Nov 87 p 44

[Text] Five years after Felipe Gonzalez' victory, the degree of satisfaction among Spaniards with the Executive Branch's work is low, according to a poll prepared by PANORAMA and OTR. Only 31 percent of the citizens are satisfied with the work done by the Socialist government's team. It is the youth who claim to be most dissatisfied and, as for autonomous communities, Castilla-Leon is the one expressing the greatest disappointment.

Spaniards are dissatisfied with the government, according to the data from the poll taken by OTR/PANORAMA, which shows a result of 31 percent of those polled voicing satisfaction, as opposed to 57 percent who are little or not at all satisfied.

The average, 40 percent, cite the extent of their approval as "little satisfied." Only 4 percent of the citizens polled express complete approval of the executive branch's management.

Those polled with a left of center ideology are the most content with the results of these past 5 years of Socialist government: 11 percent claim to be completely satisfied, and 46 percent say that they are quite satisfied.

At the other extreme, 82 percent of those queried with a rightist ideology express little or no satisfaction. The ideological gamut indicates greater satisfaction among the moderate left, while the degree of dissatisfaction increases in this order: left, center, right of center, and right.

Based on sex, the opinion of Spaniards is almost equal: 32 percent of men and 30 percent of women claim to be satisfied, as compared with 60 and 54 percent, respectively, expressing dissatisfaction.

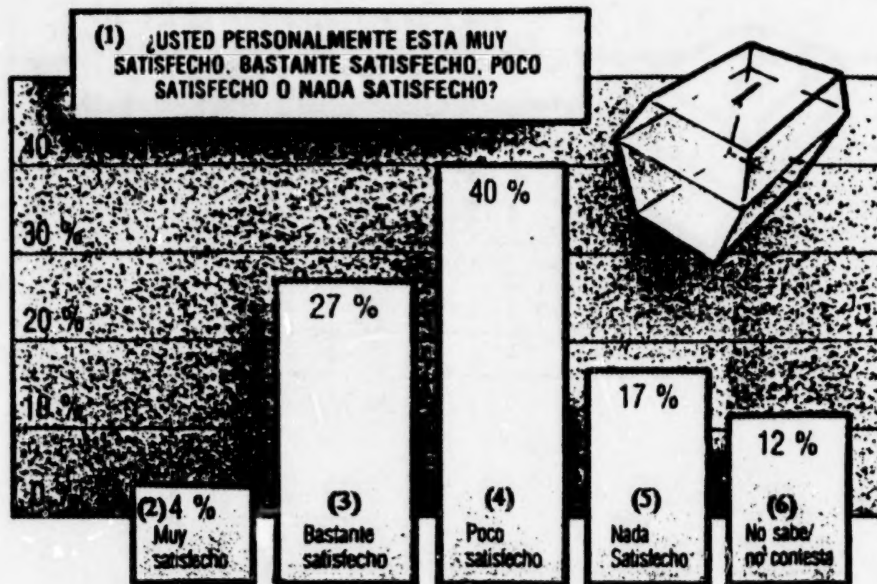
The signs of displeasure are most numerous among the youth under age 30. Those over age 65 (42 percent) have a better assessment of the government's efforts. That is also the degree of acceptance among citizens who have primary level schooling.

On the other hand, university graduates voice a higher degree of rejection: 72 percent of those polled with advanced schooling claim to be little or not at all satisfied.

Based on occupation, the dissatisfaction is greater on the higher income levels: 69 percent. As the occupational status declines, or when people are approaching retirement age, the level of acceptance rises (42 and 45 percent satisfied in both instances). The unemployed and housewives show a similar level: 59 percent dissatisfied.

The criticism heightens in metropolitan areas (63 percent dissatisfied), and there is much more good will in the rural areas (33 percent).

Based on autonomous communities, Castilla/Leon, headed by the Alliance's Jose Maria Aznar, expresses 74 percent dissatisfaction. The Valencian Country is more tolerant, with 38 percent satisfied. In the Basque Country, none of those polled described themselves as very satisfied; and in Galicia, the opinions are varied, although the degree of dissatisfaction exceeds that of satisfaction.



Key:

1. Are you personally very satisfied, quite satisfied, little satisfied or not at all satisfied?
2. Very satisfied
3. Quite satisfied
4. Little satisfied
5. Not at all satisfied
6. Don't know/no answer

Technical Record

Implementation: OTR/IS Sample: 1,186 persons aged 18 and over residing in Spain. Random by conglomerates and random route. Field work: 12 to 17 October 1987.

Poll of households through the Emopublica field system. Sample error: + or - 3.8 percent for proportions of 50 percent, with a probability of 95 percent. Tabulation: OTR/IS Direction: Francisco Alvira

(1) COMUNIDAD AUTONOMA (AGRUPADA)								
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Muy satisfecho (5)	3	2	1	5	7	—	10	4
Bastante satisfecho (6)	28	30	12	29	27	24	28	27
Poco satisfecho (7)	31	39	53	37	43	31	40	45
Nada satisfecho (8)	12	17	21	19	18	34	14	15
NS/NC (9)	25	12	13	10	4	11	8	9

Key:

1. Autonomous Community (grouped)
2. Basque Country
3. Valencian Country
4. Rest
5. Very satisfied
6. Quite satisfied
7. Little satisfied
8. Not at all satisfied
9. Don't know/no answer

(1) IDEOLOGIA						
(2)	(3)	(4)	(5)	(6)	(7)	(8)
Muy satisfecho (8)	6	11	2	—	1	2
Bastante satisfecho (9)	31	46	28	17	11	21
Poco satisfecho (10)	43	29	47	53	42	37
Nada satisfecho (11)	15	6	18	23	42	16
NS/NC (12)	4	9	5	7	4	24

Key:

1. Ideology
2. Left
3. Left of center
4. Center
5. Right of center
6. Right
7. Don't know/no answer
8. Very satisfied
9. Quite satisfied
10. Little satisfied
11. Not at all satisfied
12. Don't know/no answer

(2)		(1) SEXO (3)		(4) EDAD				(5) EDUCACION			
		Hombre (%)	Mujer (%)	20-29	30-39	40-49	50-59	60-69	70-79	80-89	90-99
(10)	Muy satisfecho	5	3	2	3	6	8	7	3	2	1
(11)	Bastante satisfecho	27	27	21	28	28	33	33	26	23	19
(12)	Poco satisfecho	41	39	50	42	33	29	32	40	47	44
(13)	Nada satisfecho	19	16	19	17	17	14	11	17	21	28
(14)	NS-NC	9	15	9	10	16	16	16	13	6	8

Key:

1. Sex
2. Men
3. Women
4. Age
5. Education
6. Primary
7. Intermediate
8. High school
9. University
10. Very satisfied
11. Quite satisfied
12. Little satisfied
13. Not at all satisfied
14. Don't know/no answer

2909

END

END OF

FICHE

DATE FILMED

1 March 1988
